

CITY OF SHELBY, MONTANA

AUDITED FINANCIAL STATEMENTS

June 30, 2022



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**CITY OF SHELBY, MONTANA
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**CITY OF SHELBY, MONTANA
ORGANIZATION
June 30, 2022**

Gary McDermott

Mayor

CITY COUNCIL

Sanna Clark

Council Member

Joe Flesch

Council Member

Pat Frydenlund

Council Member

Jayne Yarn

Council Member

Lyle Kimmet

Council Member

Bill Mortz

Council Member

CITY OFFICIALS

William E. Hunt, Jr.

Attorney

Joe Rapkoch

City Judge

Jade Goroski

Finance Director

Donna Whitt

Chief of Police

Eric Kary

City Superintendent



JCCS

**ACCOUNTING
AUDIT
TAX
EMPLOYEE BENEFITS
SPECIALIZED SERVICES**

**To the Honorable Mayor,
City Council members
City of Shelby, Montana**

INDEPENDENT AUDITORS' REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelby, Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Shelby, Montana as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Shelby, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Shelby, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Shelby, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Shelby, Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the schedule of funding progress for other post-employment benefits other than pensions, schedules of proportionate share of the net pension liability, and the schedules of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Management is responsible for the other information included in the annual report. The other information comprises the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Requirements by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated June 19, 2023, on our consideration of the City of Shelby, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Shelby, Montana's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
June 19, 2023

MANAGEMENT DISCUSSION & ANALYSIS

Our discussion and analysis of the City of Shelby's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- The City of Shelby general fund continues to incur increased cash requirements from public safety and street departments.
- The assets of the City of Shelby exceeded its liabilities at the close of FY 2022 by \$21.5 million (net position).

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City of Shelby's basic financial statements. The City of Shelby's basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Shelby's finances, in a manner similar to a private-sector business.

The ***statement of net position*** presents information on all of the City of Shelby's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Shelby is improving or deteriorating.

The ***statement of activities*** presents information showing how the City of Shelby's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Shelby that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of the City of Shelby include general government, public safety (police & fire), streets, planning and economic development, and parks and recreation. The Business-type Activities of The City of Shelby include Water, Sewer, Solid Waste and Stormdrain.

The government-wide financial statements can be found on pages 10-20.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and bond covenants, however, City Council establishes other funds to help control and manage money for particular purposes. All of the City's funds can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental funds – Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end are available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a

detailed short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Fiduciary Responsibilities

All of the City's Net Position activities are reported in separate Statements of fiduciary Net Position and Changes In Net Position on page 20. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for its intended purpose.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-55.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* on pages 57-63.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Shelby, assets exceeded liabilities by approximately \$21.5 million as of year-end June 30, 2022.

| Statement of Net Position Governmental Activities and Business Type Activities | | | | | | | |
|--|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | | Governmental Activities | | Business Type Activities | | Total | |
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | | \$ 3,782,505 | \$ 3,406,885 | \$ 4,320,363 | \$ 3,890,921 | \$ 8,102,868 | \$ 7,297,806 |
| Capital Assets | | 8,110,605 | 7,793,387 | 22,943,356 | 21,778,484 | 31,053,961 | 29,571,871 |
| Total Assets | | <u>\$11,893,110</u> | <u>\$11,200,272</u> | <u>\$27,263,719</u> | <u>\$25,669,405</u> | <u>\$39,156,829</u> | <u>\$36,869,677</u> |
| Deferred Outflows of resources | | \$41,129 | \$58,948 | \$121,392 | \$166,654 | \$162,521 | \$225,602 |
| Total Assets and deferred outflows of resources | | <u>\$11,934,239</u> | <u>\$11,259,220</u> | <u>\$27,385,111</u> | <u>\$25,836,059</u> | <u>\$39,319,350</u> | <u>\$37,095,279</u> |
| Current and other Liabilities | | \$244,446 | \$373,402 | \$1,122,122 | \$1,199,990 | \$1,366,568 | \$1,573,392 |
| Long-Term Liabilities | | 497,597 | 588,803 | 14,643,530 | 14,524,800 | 15,141,127 | 15,113,603 |
| Total Liabilities | | <u>\$742,043</u> | <u>\$962,205</u> | <u>\$15,765,652</u> | <u>\$15,724,790</u> | <u>\$16,507,695</u> | <u>\$16,686,995</u> |
| Deferred Inflows of resources | | \$895,975 | \$474,272 | \$425,888 | \$128,164 | \$1,321,863 | \$602,436 |
| Net Position: | | | | | | | |
| Net Investment in capital assets | | \$6,958,866 | \$6,559,590 | \$8,102,249 | \$7,305,122 | \$15,061,115 | \$13,864,712 |
| Restricted | | 1,907,065 | 2,016,294 | 901,588 | 835,079 | 2,808,653 | 2,851,373 |
| Unrestricted | | 1,430,290 | 1,246,859 | 2,189,734 | 1,842,904 | 3,620,024 | 3,089,763 |
| Total Net Position | | <u>\$10,296,221</u> | <u>\$9,822,743</u> | <u>\$11,193,571</u> | <u>\$9,983,105</u> | <u>\$21,489,792</u> | <u>\$19,805,848</u> |

| STATEMENT OF ACTIVITIES & CHANGES IN NET POSITION | | | | | | | | | |
|---|---|--|--|--------------|-------------|--------------------------|--------------|-------------|-------------|
| | | | | | | Business Type Activities | | | |
| | | | | | | 2022 | 2021 | Change | |
| Program Revenues | | | | | | | | | |
| | Charges for services | | | \$661,451 | \$683,316 | (\$21,865) | \$3,766,216 | \$3,553,201 | \$213,015 |
| | Operating grants & contributions | | | 260,595 | 239,079 | 21,516 | 35,464 | 194,730 | (159,266) |
| | Capital grants & contributions | | | 99,791 | 46,974 | 52,817 | 812,625 | 662,393 | 150,232 |
| General Revenues | | | | | | | | | |
| | Property Taxes for general purposes | | | 891,834 | 947,056 | (55,222) | | | |
| | Licenses and permits | | | 57,873 | 24,760 | 33,113 | | | |
| | Video Poker | | | | | | | | |
| | Misc | | | 97,083 | 77,094 | 19,989 | 123,700 | 175,591 | (51,891) |
| | Interest/Investment earnings | | | (75,666) | 106,683 | (182,349) | (209,061) | 245,891 | (454,952) |
| | State Entitlement | | | 584,472 | 600,621 | (16,149) | | | |
| | Grants and entitlements not restricted | | | | | | | | |
| | Total Revenues | | | \$2,577,433 | \$2,725,583 | (\$148,150) | \$4,528,944 | \$4,831,806 | (\$302,862) |
| Program Expenses | | | | | | | | | |
| | General Government | | | \$220,281 | \$216,984 | \$3,297 | | | |
| | Public Safety | | | 726,215 | 522,723 | 203,492 | | | |
| | Public Works | | | 417,442 | 469,019 | (51,577) | | | |
| | Public Health | | | 28,878 | 27,821 | 1,057 | | | |
| | Culture and Recreation | | | 425,057 | 451,141 | (26,084) | | | |
| | Housing and Comm Development | | | 80,856 | 40,723 | 40,133 | | | |
| | Conservation of natural resources | | | 222 | 564 | (342) | | | |
| | Debt Service - Interest | | | 20,134 | 78,424 | (58,290) | | | |
| | Misc | | | 158,323 | 46,194 | 112,129 | | | |
| | Water | | | | | | 1,336,147 | 1,192,870 | 143,277 |
| | Sewer | | | | | | 950,662 | 742,714 | 207,948 |
| | Solid Waste | | | | | | 857,558 | 817,388 | 40,170 |
| | StormWater | | | | | | 184,709 | 92,535 | 92,174 |
| | Total Expenses | | | \$2,077,408 | \$1,853,593 | \$223,815 | \$3,329,076 | \$2,845,507 | \$483,569 |
| | Excess(deficiency) before special items and transfers | | | 500,025 | 871,990 | (371,965) | 1,199,868 | 1,986,299 | (786,431) |
| | Gain (loss) on sale of capital assets | | | (15,949) | | | \$0 | (\$14,296) | \$14,296 |
| | Special Item | | | | 274,493 | (290,442) | | | |
| | Transfers - net | | | (10,598) | (18,441) | 7,843 | 10,598 | 18,441 | (7,843) |
| Increase (decrease) in net position | | | | \$473,478 | \$1,128,042 | (\$654,564) | \$1,210,466 | \$1,990,444 | (\$779,978) |
| Net Position Beginning of year | | | | \$9,822,743 | \$8,694,701 | \$1,128,042 | \$9,983,105 | \$7,992,661 | \$1,990,444 |
| Restatements | | | | | | 0 | | | 0 |
| Net Position Beginning of year Restated | | | | 9,822,743 | 8,694,701 | 1,128,042 | 9,983,105 | 7,992,661 | 1,990,444 |
| Net Position End of Year | | | | \$10,296,221 | \$9,822,743 | \$473,478 | \$11,193,571 | \$9,983,105 | \$1,210,466 |

| General Fund Budgetary Comparison Schedule | | | | | | | |
|--|--|--|--|-------------|--|-------------|-------------|
| | | | | Budget | | Actual | Variance |
| Resources (inflows) | | | | \$2,691,550 | | \$1,797,426 | \$894,124 |
| | | | | | | | |
| Charges to Appropriations (outflows) | | | | \$2,805,232 | | \$1,561,004 | \$1,244,228 |

| Governmental Funds Long Term Debt | | |
|-----------------------------------|--|-------------------|
| | | |
| Other Contracted debt | | \$ 274,694 |
| Compensated Absences | | 24,002 |
| SID 2011-2012 | | 90,000 |
| Net Pension Liability | | 159,678 |
| Other Post Employment Benefits | | 18,370 |
| | | <u>\$ 566,744</u> |

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds and assets it receives. If you have any questions about this report, or need additional financial information, contact the City Finance Officer, Jade Goroski, or Mayor, Gary McDermott at Shelby City Hall, 112 1st St. So., Shelby, MT 59474.

CITY OF SHELBY, MONTANA
STATEMENT OF NET POSITION
June 30, 2022

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------------|
| Assets and deferred outflows of resources | | | |
| Current assets | | | |
| Cash and investments | \$ 3,298,105 | \$ 2,940,178 | \$ 6,238,283 |
| Restricted cash and investments | - | 860,318 | 860,318 |
| Taxes and assessments receivable, net | 444,984 | 103 | 445,087 |
| Special assessments receivable | 993 | - | 993 |
| Account receivable, net | 4,500 | 519,764 | 524,264 |
| Advances to other funds | 33,923 | - | 33,923 |
| | <u>3,782,505</u> | <u>4,320,363</u> | <u>8,102,868</u> |
| Noncurrent assets | | | |
| Restricted cash and investments | 718,805 | 526,822 | 1,245,627 |
| Investment in joint ventures | 48,806 | 111,925 | 160,731 |
| Special assessments receivable | 19,434 | - | 19,434 |
| Capital assets: land | 1,170,433 | 574,118 | 1,744,551 |
| Capital assets: construction in progress | 64,398 | 2,779,954 | 2,844,352 |
| Capital assets: depreciable assets, net | 6,088,729 | 18,950,537 | 25,039,266 |
| | <u>8,110,605</u> | <u>22,943,356</u> | <u>31,053,961</u> |
| Total assets | <u>11,893,110</u> | <u>27,263,719</u> | <u>39,156,829</u> |
| Deferred outflows of resources | | | |
| Pension | 41,129 | 121,392 | 162,521 |
| | <u>41,129</u> | <u>121,392</u> | <u>162,521</u> |
| Total assets and deferred outflows of resources | <u><u>\$ 11,934,239</u></u> | <u><u>\$ 27,385,111</u></u> | <u><u>\$ 39,319,350</u></u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 123,804 | \$ 163,019 | \$ 286,823 |
| Accrued payroll | 11,962 | 22,740 | 34,702 |
| Advances payable | - | 33,923 | 33,923 |
| Due to other governments | 39,533 | - | 39,533 |
| Current portion of long-term capital liabilities | 54,777 | 827,334 | 882,111 |
| Current portion of compensated absences payable | 14,370 | 75,106 | 89,476 |
| | <u>244,446</u> | <u>1,122,122</u> | <u>1,366,568</u> |
| Noncurrent liabilities | | | |
| Landfill closure postclosure liability | - | 603,138 | 603,138 |
| Noncurrent portion of long-term liabilities | 328,287 | 13,540,359 | 13,868,646 |
| Noncurrent portion of compensated absences | 9,632 | 28,724 | 38,356 |
| Net pension liability | 159,678 | 471,309 | 630,987 |
| | <u>497,597</u> | <u>14,643,530</u> | <u>15,141,127</u> |
| Total liabilities | <u>742,043</u> | <u>15,765,652</u> | <u>16,507,695</u> |
| Deferred inflows of resources | | | |
| Other post employment benefits | 22,822 | 205,398 | 228,220 |
| Pension | 74,703 | 220,490 | 295,193 |
| Assessments | 19,434 | - | 19,434 |
| Loans | 4,500 | - | 4,500 |
| Grants | 774,516 | - | 774,516 |
| | <u>895,975</u> | <u>425,888</u> | <u>1,321,863</u> |
| Net Position | | | |
| Net investment in capital assets | 6,958,866 | 8,102,249 | 15,061,115 |
| Restricted for: | | | |
| Debt service | 212,497 | - | 212,497 |
| Public works | 1,319,963 | 901,588 | 2,221,551 |
| Culture and recreation | 53,184 | - | 53,184 |
| Public safety | 35,555 | - | 35,555 |
| Housing and community development | 228,163 | - | 228,163 |
| General government | 57,703 | - | 57,703 |
| | <u>1,907,065</u> | <u>901,588</u> | <u>2,808,653</u> |
| Unrestricted | 1,430,290 | 2,189,734 | 3,620,024 |
| Total net position | <u>10,296,221</u> | <u>11,193,571</u> | <u>21,489,792</u> |
| Total liabilities, deferred inflows of resources, and net position | <u><u>\$ 11,934,239</u></u> | <u><u>\$ 27,385,111</u></u> | <u><u>\$ 39,319,350</u></u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 220,281 | \$ 718 | \$ 3,271 | \$ 52,384 | \$ (163,908) | \$ - | \$ (163,908) |
| Public safety | 726,215 | 13,233 | 55,537 | - | (657,445) | - | (657,445) |
| Public works | 417,442 | 582,228 | 194,603 | - | 359,389 | - | 359,389 |
| Public health | 28,878 | - | - | - | (28,878) | - | (28,878) |
| Culture and recreation | 425,057 | 65,272 | 6,240 | 37,549 | (315,996) | - | (315,996) |
| Housing and community development | 80,856 | - | 245 | 9,858 | (70,753) | - | (70,753) |
| Conservation of natural resources | 222 | - | - | - | (222) | - | (222) |
| Debt service - interest | 20,134 | - | - | - | (20,134) | - | (20,134) |
| Miscellaneous | 158,323 | - | 699 | - | (157,624) | - | (157,624) |
| Total governmental activities | <u>2,077,408</u> | <u>661,451</u> | <u>260,595</u> | <u>99,791</u> | <u>(1,055,571)</u> | <u>-</u> | <u>(1,055,571)</u> |
| Business-type activities | | | | | | | |
| Water | 1,336,147 | 1,482,894 | 11,634 | 812,625 | - | 971,006 | 971,006 |
| Sewer | 950,662 | 971,485 | 9,235 | - | - | 30,058 | 30,058 |
| Solid waste | 857,558 | 990,566 | 14,595 | - | - | 147,603 | 147,603 |
| Storm drainage | 184,709 | 321,271 | - | - | - | 136,562 | 136,562 |
| Total business-type activities | <u>3,329,076</u> | <u>3,766,216</u> | <u>35,464</u> | <u>812,625</u> | <u>-</u> | <u>1,285,229</u> | <u>1,285,229</u> |
| Total primary government | <u>\$ 5,406,484</u> | <u>\$ 4,427,667</u> | <u>\$ 296,059</u> | <u>\$ 912,416</u> | <u>(1,055,571)</u> | <u>1,285,229</u> | <u>229,658</u> |
| General Revenues | | | | | | | |
| Property taxes for general purposes | | | | | 891,834 | - | 891,834 |
| Licenses and permits | | | | | 57,873 | - | 57,873 |
| Miscellaneous | | | | | 97,083 | 123,700 | 220,783 |
| Interest/investment earnings (loss) | | | | | (75,666) | (209,061) | (284,727) |
| State entitlement | | | | | 584,472 | - | 584,472 |
| Special Items | | | | | | | |
| Gain (loss) on sale of capital assets | | | | | (15,949) | - | (15,949) |
| Transfers - net | | | | | <u>(10,598)</u> | <u>10,598</u> | <u>-</u> |
| Total general revenues, special items and transfers | | | | | <u>1,529,049</u> | <u>(74,763)</u> | <u>1,454,286</u> |
| Change in net position | | | | | 473,478 | 1,210,466 | 1,683,944 |
| Net position, beginning of year | | | | | <u>9,822,743</u> | <u>9,983,105</u> | <u>19,805,848</u> |
| Net position, end of year | | | | | <u>\$ 10,296,221</u> | <u>\$ 11,193,571</u> | <u>\$ 21,489,792</u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

| | <u>General</u> | <u>Street Maintenance Funds</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|---|
| ASSETS | | | | |
| Cash and investments | \$ 1,362,342 | \$ 301,517 | \$ 1,634,246 | \$ 3,298,105 |
| Taxes and assessments receivable, net | 208,486 | 141,868 | 94,630 | 444,984 |
| Special assessments receivable | - | - | 993 | 993 |
| Notes and loans receivable | - | - | 4,500 | 4,500 |
| Advances to other funds | - | 22,999 | 10,924 | 33,923 |
| Restricted cash and investments | 671,805 | - | 47,000 | 718,805 |
| Investment in joint ventures | 48,806 | - | - | 48,806 |
| Special assessments receivable | - | - | 19,434 | 19,434 |
| Total assets | <u>\$ 2,291,439</u> | <u>\$ 466,384</u> | <u>\$ 1,811,727</u> | <u>\$ 4,569,550</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 117,271 | \$ 2,353 | \$ 4,180 | \$ 123,804 |
| Accrued payroll | 11,584 | 189 | 189 | 11,962 |
| Due to other governments | 39,533 | - | - | 39,533 |
| | <u>168,388</u> | <u>2,542</u> | <u>4,369</u> | <u>175,299</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Taxes | 208,486 | 141,868 | 95,622 | 445,976 |
| Assessments | - | - | 19,434 | 19,434 |
| Loans | - | - | 4,500 | 4,500 |
| Grants | - | - | 774,516 | 774,516 |
| Total deferred inflows of resources | <u>208,486</u> | <u>141,868</u> | <u>894,072</u> | <u>1,244,426</u> |
| FUND BALANCES | | | | |
| Restricted for | | | | |
| Debt service | - | - | 212,497 | 212,497 |
| Housing and community development | - | - | 57,703 | 57,703 |
| Public safety | - | - | 35,555 | 35,555 |
| Public works | 671,805 | 321,974 | 326,184 | 1,319,963 |
| Culture and recreation | - | - | 53,184 | 53,184 |
| General government | - | - | 228,163 | 228,163 |
| | <u>671,805</u> | <u>321,974</u> | <u>913,286</u> | <u>1,907,065</u> |
| Unassigned fund balance | <u>1,242,760</u> | <u>-</u> | <u>-</u> | <u>1,242,760</u> |
| Total fund balance | <u>1,914,565</u> | <u>321,974</u> | <u>913,286</u> | <u>3,149,825</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,291,439</u> | <u>\$ 466,384</u> | <u>\$ 1,811,727</u> | <u>\$ 4,569,550</u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
June 30, 2022

| | |
|--|---------------------|
| Total fund balances - governmental funds | <u>\$ 3,149,825</u> |
|--|---------------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds are as follows:

| | |
|--------------------------|------------------|
| Land | 1,170,433 |
| Construction in progress | 64,398 |
| Depreciable assets, net | <u>6,088,729</u> |
| | <u>7,323,560</u> |

Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:

| | |
|-------------------------|----------------|
| Unavailable tax revenue | 445,976 |
| Pensions | <u>41,129</u> |
| | <u>487,105</u> |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds are as follows:

| | |
|--|------------------|
| Bonds, contract debt, and other post employment benefits | (383,064) |
| Compensated absences | (24,002) |
| Pension liability | <u>(159,678)</u> |
| | <u>(566,744)</u> |

Deferred inflows of resources are not financial resources; and therefore are not reported in the funds and include:

| | |
|--------------------------------|-----------------|
| Other post employment benefits | (22,822) |
| Pensions | <u>(74,703)</u> |
| | <u>(97,525)</u> |

| | |
|---|-----------------------------|
| Total net position - governmental activities | <u><u>\$ 10,296,221</u></u> |
|---|-----------------------------|

CITY OF SHELBY, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

| | <u>General</u> | <u>Street Maintenance Funds</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|---|
| Revenues | | | | |
| Taxes and assessments | \$ 898,165 | \$ - | \$ 188,290 | \$ 1,086,455 |
| Licenses and permits | 57,873 | - | - | 57,873 |
| Intergovernmental | 768,043 | 100,778 | 50,394 | 919,215 |
| Charges for services | 65,990 | - | - | 65,990 |
| Fines and forfeitures | 13,233 | - | - | 13,233 |
| Miscellaneous | 86,898 | 274,375 | 159,306 | 520,579 |
| Investment earnings | (92,776) | 1,471 | 27,667 | (63,638) |
| Total revenues | <u>1,797,426</u> | <u>376,624</u> | <u>425,657</u> | <u>2,599,707</u> |
| Expenditures | | | | |
| General government | 159,316 | - | 4,805 | 164,121 |
| Public safety | 647,852 | - | - | 647,852 |
| Public works | 169,077 | 19,484 | 52,030 | 240,591 |
| Public health | 28,878 | - | - | 28,878 |
| Culture and recreation | 295,814 | - | 4,807 | 300,621 |
| Housing and community development | 80,303 | - | - | 80,303 |
| Conservation of natural resources | 222 | - | - | 222 |
| Debt services - principal | 13,473 | - | 45,000 | 58,473 |
| Debt services - interest | 14,847 | - | 5,287 | 20,134 |
| Miscellaneous | 17,298 | - | 23,663 | 40,961 |
| Capital outlay | 133,924 | 476,924 | 334,338 | 945,186 |
| Total expenditures | <u>1,561,004</u> | <u>496,408</u> | <u>469,930</u> | <u>2,527,342</u> |
| Excess of revenue over (under) expenditures | <u>236,422</u> | <u>(119,784)</u> | <u>(44,273)</u> | <u>72,365</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 60,403 | - | 30,000 | 90,403 |
| Transfers out | (40,598) | - | (60,403) | (101,001) |
| Total other financing sources (uses) | <u>19,805</u> | <u>-</u> | <u>(30,403)</u> | <u>(10,598)</u> |
| Net change in fund balance | 256,227 | (119,784) | (74,676) | 61,767 |
| Fund balance, beginning of year | <u>1,658,338</u> | <u>441,758</u> | <u>987,962</u> | <u>3,088,058</u> |
| Fund balance, end of year | <u>\$ 1,914,565</u> | <u>\$ 321,974</u> | <u>\$ 913,286</u> | <u>\$ 3,149,825</u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|------------------|
| Net change in fund balances - total governmental funds | \$ <u>61,767</u> |
|--|------------------|

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of assets:

| | |
|--------------------------|------------------|
| Capital assets purchased | 945,186 |
| Depreciation expense | <u>(551,893)</u> |
| | <u>393,293</u> |

In the Statement of Activities the revenues and expenses relating to the recording of Net Pension Liability for the implementation of *GASB #68* are as follows:

| | |
|----------------------|-----------------|
| Increase in revenues | 12,015 |
| Increase in expenses | <u>(27,150)</u> |
| | <u>(15,135)</u> |

In the Statement of Activities the expenses relating to the recording of Other Post Employment Benefits for the implementation of *GASB #75* is a decrease in expenses

| | |
|--|--------------|
| | <u>4,708</u> |
|--|--------------|

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The Fund financial statements recognize only the proceeds from the sale of these assets:

| | |
|------------------------------------|-----------------|
| Loss on the sale of capital assets | <u>(15,948)</u> |
|------------------------------------|-----------------|

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | |
|--|-----------------|
| Unavailable tax and assessment revenue | (34,290) |
| The change in compensated absences is shown as an expense in the Statement of Activities | <u>20,610</u> |
| | <u>(13,680)</u> |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Activities:

| | |
|-----------------------------------|---------------|
| Long-term debt principal payments | <u>58,473</u> |
|-----------------------------------|---------------|

| | |
|---|--------------------------|
| Change in net position - Statement of Activities | \$ <u>473,478</u> |
|---|--------------------------|

CITY OF SHELBY, MONTANA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022

| | <u>Water</u> | <u>Sewer</u> | <u>Solid Waste</u> | <u>Storm Drain</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------------|---------------------|----------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 1,023,723 | \$ 934,642 | \$ 730,997 | \$ 250,816 | \$ 2,940,178 |
| Restricted cash and cash equivalents | 377,664 | 326,552 | - | 156,102 | 860,318 |
| Taxes and assessments receivable, net | - | 103 | - | - | 103 |
| Accounts receivable, net | 134,240 | 85,695 | 72,908 | 226,921 | 519,764 |
| | <u>1,535,627</u> | <u>1,346,992</u> | <u>803,905</u> | <u>633,839</u> | <u>4,320,363</u> |
| Noncurrent assets | | | | | |
| Restricted investments with trustee | - | - | 526,822 | - | 526,822 |
| Investment in joint ventures | 29,073 | 82,852 | - | - | 111,925 |
| Capital assets - land | 252,537 | 111,477 | 210,104 | - | 574,118 |
| Capital assets - construction in progress | 2,606,594 | 101,259 | - | 72,101 | 2,779,954 |
| Capital assets - depreciable, net | 6,533,650 | 6,749,632 | 314,518 | 5,352,737 | 18,950,537 |
| | <u>9,421,854</u> | <u>7,045,220</u> | <u>1,051,444</u> | <u>5,424,838</u> | <u>22,943,356</u> |
| Total assets | <u>10,957,481</u> | <u>8,392,212</u> | <u>1,855,349</u> | <u>6,058,677</u> | <u>27,263,719</u> |
| Deferred outflows of resources | | | | | |
| Pension | 39,823 | 31,612 | 49,957 | - | 121,392 |
| | <u>39,823</u> | <u>31,612</u> | <u>49,957</u> | <u>-</u> | <u>121,392</u> |
| Total assets and deferred outflows of resources | <u>10,997,304</u> | <u>8,423,824</u> | <u>1,905,306</u> | <u>6,058,677</u> | <u>27,385,111</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 56,705 | 70,378 | 34,109 | 1,827 | 163,019 |
| Accrued payroll | 7,178 | 5,912 | 9,650 | - | 22,740 |
| Advances payable - current | - | - | 33,923 | - | 33,923 |
| Current portion of long-term capital liabilities | 174,438 | 493,526 | 62,370 | 97,000 | 827,334 |
| Current portion of compensated absences payable | 22,409 | 19,459 | 33,238 | - | 75,106 |
| Total current liabilities | <u>260,730</u> | <u>589,275</u> | <u>173,290</u> | <u>98,827</u> | <u>1,122,122</u> |
| Noncurrent liabilities | | | | | |
| Landfill closure postclosure liability | - | - | 603,138 | - | 603,138 |
| Noncurrent portion of long-term liabilities | 55,111 | 55,111 | 55,111 | - | 165,333 |
| Noncurrent portion of long-term capital liabilities | 4,563,945 | 5,086,020 | 335,061 | 3,390,000 | 13,375,026 |
| Noncurrent portion of compensated absences | 9,558 | 7,955 | 11,211 | - | 28,724 |
| Net pension liability | 154,616 | 122,733 | 193,960 | - | 471,309 |
| | <u>4,783,230</u> | <u>5,271,819</u> | <u>1,198,481</u> | <u>3,390,000</u> | <u>14,643,530</u> |
| Total liabilities | <u>5,043,960</u> | <u>5,861,094</u> | <u>1,371,771</u> | <u>3,488,827</u> | <u>15,765,652</u> |
| Deferred outflows of resources | | | | | |
| Other post employment benefits | 68,466 | 68,466 | 68,466 | - | 205,398 |
| Pension | 72,333 | 57,417 | 90,740 | - | 220,490 |
| | <u>140,799</u> | <u>125,883</u> | <u>159,206</u> | <u>-</u> | <u>425,888</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 4,654,398 | 1,382,822 | 127,191 | 1,937,838 | 8,102,249 |
| Restricted for other purposes | 377,664 | 326,552 | 41,270 | 156,102 | 901,588 |
| Unrestricted | 780,483 | 727,473 | 205,868 | 475,910 | 2,189,734 |
| Total net position | <u>\$ 5,812,545</u> | <u>\$ 2,436,847</u> | <u>\$ 374,329</u> | <u>\$ 2,569,850</u> | <u>\$ 11,193,571</u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND POSITION - PROPRIETARY
FUNDS
June 30, 2022

| | <u>Water</u> | <u>Sewer</u> | <u>Solid Waste</u> | <u>Storm Drain</u> | <u>Total</u> |
|--|---------------------|---------------------|--------------------|---------------------|----------------------|
| Operating revenues | | | | | |
| Charges for services | \$ 1,482,894 | \$ 971,485 | \$ 990,566 | \$ 321,271 | \$ 3,766,216 |
| Miscellaneous revenue | 16,518 | 18,549 | 8,183 | 80,450 | 123,700 |
| | <u>1,499,412</u> | <u>990,034</u> | <u>998,749</u> | <u>401,721</u> | <u>3,889,916</u> |
| Operating expenses | | | | | |
| Personnel services | 378,387 | 301,696 | 466,123 | - | 1,146,206 |
| Supplies | 86,481 | 27,331 | 62,469 | - | 176,281 |
| Purchased services | 222,878 | 158,092 | 158,399 | 5,474 | 544,843 |
| Fixed charges | 29,964 | 29,964 | 59,324 | - | 119,252 |
| Loss/bad debt expense | 750 | 750 | 750 | - | 2,250 |
| Depreciation | 479,154 | 286,994 | 98,447 | 90,724 | 955,319 |
| | <u>1,197,614</u> | <u>804,827</u> | <u>845,512</u> | <u>96,198</u> | <u>2,944,151</u> |
| Operating income | <u>301,798</u> | <u>185,207</u> | <u>153,237</u> | <u>305,523</u> | <u>945,765</u> |
| Non-operating revenues (expenses) | | | | | |
| Intergovernmental | 824,259 | 9,235 | 14,595 | - | 848,089 |
| Investment | (57,294) | (165,516) | - | - | (222,810) |
| Interest revenue | - | 9,083 | 4,666 | - | 13,749 |
| Debt service interest expense | (138,533) | (145,835) | (12,046) | (88,511) | (384,925) |
| | <u>628,432</u> | <u>(293,033)</u> | <u>7,215</u> | <u>(88,511)</u> | <u>254,103</u> |
| Income (loss) before contributions and transfers | 930,230 | (107,826) | 160,452 | 217,012 | 1,199,868 |
| Transfers | <u>-</u> | <u>-</u> | <u>10,598</u> | <u>-</u> | <u>10,598</u> |
| Change in net position | 930,230 | (107,826) | 171,050 | 217,012 | 1,210,466 |
| Net Position - beginning of year | <u>4,882,315</u> | <u>2,544,673</u> | <u>203,279</u> | <u>2,352,838</u> | <u>9,983,105</u> |
| Net position - end of year | <u>\$ 5,812,545</u> | <u>\$ 2,436,847</u> | <u>\$ 374,329</u> | <u>\$ 2,569,850</u> | <u>\$ 11,193,571</u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPES
For the Year Ended June 30, 2022

| | <u>Water</u> | <u>Sewer</u> | <u>Solid Waste</u> | <u>Storm Drain</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------------|--------------------|---------------------|
| Cash flows from operating activities | | | | | |
| Cash received from providing services | \$ 1,835,177 | \$ 970,536 | \$ 996,364 | \$ 259,507 | \$ 4,061,584 |
| Cash received from miscellaneous sources | 16,518 | 18,549 | 8,183 | 80,450 | 123,700 |
| Cash payment to suppliers | (606,635) | 20,439 | (50,495) | (5,665) | (642,356) |
| Cash payments for fixed charges | (29,964) | (29,964) | (40,894) | - | (100,822) |
| Cash payments for professional services | (222,878) | (158,092) | (158,399) | (5,474) | (544,843) |
| Cash payments to employees | (333,215) | (257,115) | (429,062) | - | (1,019,392) |
| Net cash provided by operating activities | <u>659,003</u> | <u>564,353</u> | <u>325,697</u> | <u>328,818</u> | <u>1,877,871</u> |
| Cash flows from capital and related financing activities | | | | | |
| Acquisition and construction of capital assets | (1,690,793) | (326,907) | - | (279,787) | (2,297,487) |
| Principal paid on debt | (234,854) | (244,337) | (94,838) | (94,000) | (668,029) |
| Interest paid on debt | (138,533) | (145,835) | (12,046) | (88,511) | (384,925) |
| Proceeds from bonds, loans and advances | 589,910 | 246,868 | 205,777 | - | 1,042,555 |
| Net cash provided (used) by capital and financing | <u>(1,474,270)</u> | <u>(470,211)</u> | <u>98,893</u> | <u>(462,298)</u> | <u>(2,307,886)</u> |
| Cash flows from non-capital financing activities | | | | | |
| Due from other governments | 824,259 | 9,235 | 14,595 | - | 848,089 |
| Advances and due to/from governmental funds | - | 79,367 | (45,515) | - | 33,852 |
| Transfers | - | - | 10,598 | - | 10,598 |
| Net cash provided (used) by non-capital financing | <u>824,259</u> | <u>88,602</u> | <u>(20,322)</u> | <u>-</u> | <u>892,539</u> |
| Cash flows from investing activities | | | | | |
| Restricted investments held with trustee | - | - | (32,855) | - | (32,855) |
| Interest on investments | - | 9,083 | 4,666 | - | 13,749 |
| Net cash provided (used) by investing activities | <u>-</u> | <u>9,083</u> | <u>(28,189)</u> | <u>-</u> | <u>(19,106)</u> |
| Net increase (decrease) in cash and cash equivalents | 8,992 | 191,827 | 376,079 | (133,480) | 443,418 |
| Cash and cash equivalents, beginning of year | 1,392,395 | 1,069,367 | 354,918 | 540,398 | 3,357,078 |
| Cash and cash equivalents, end of year | <u>\$ 1,401,387</u> | <u>\$ 1,261,194</u> | <u>\$ 730,997</u> | <u>\$ 406,918</u> | <u>\$ 3,800,496</u> |
| Cash and cash equivalents consists of: | | | | | |
| Cash and cash equivalents | \$ 1,023,723 | \$ 934,642 | \$ 730,997 | \$ 250,816 | \$ 2,940,178 |
| Restricted cash and cash equivalents | 377,664 | 326,552 | - | 156,102 | 860,318 |
| Cash and cash equivalents, end of year | <u>\$ 1,401,387</u> | <u>\$ 1,261,194</u> | <u>\$ 730,997</u> | <u>\$ 406,918</u> | <u>\$ 3,800,496</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | | | |
| Operating income (loss) | \$ 301,798 | \$ 185,207 | \$ 153,237 | \$ 305,523 | \$ 945,765 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation | 479,154 | 286,994 | 98,447 | 90,724 | 955,319 |
| Changes in assets and liabilities: | | | | | |
| Change in accounts receivable | (8,470) | (949) | 5,798 | (61,764) | (65,385) |
| Change in deferred outflows | 13,996 | 12,555 | 18,710 | - | 45,261 |
| Change in pension liability | (70,205) | (59,811) | (95,901) | - | (225,917) |
| Change in accrued payables | (158,651) | 48,520 | 12,724 | (5,665) | (103,072) |
| Change in accrued payroll | (595) | (630) | 55 | - | (1,170) |
| Closure post-closure liability | - | - | 18,430 | - | 18,430 |
| Change in compensated absences | 2,827 | 2,262 | 5,828 | - | 10,917 |
| Change in deferred inflows | 99,149 | 90,205 | 108,369 | - | 297,723 |
| Net cash provided by operating activities | <u>\$ 659,003</u> | <u>\$ 564,353</u> | <u>\$ 325,697</u> | <u>\$ 328,818</u> | <u>\$ 1,877,871</u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
STATEMENT OF NET POSITION -
FIDUCIARY FUNDS
June 30, 2022

| | Private Purpose Trust Funds | Custodial Funds | Total |
|--|--|----------------------------|--------------------------|
| ASSETS | | | |
| Cash and short-term investments | \$ 211,542 | \$ 174,432 | \$ 385,974 |
| Taxes receivable | <u>-</u> | <u>68</u> | <u>68</u> |
| Total assets | <u><u>\$ 211,542</u></u> | <u><u>\$ 174,500</u></u> | <u><u>\$ 386,042</u></u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 30,412 | \$ 30,412 |
| Due to others | <u>3,994</u> | <u>1,629</u> | <u>5,623</u> |
| Total liabilities | <u>3,994</u> | <u>32,041</u> | <u>36,035</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | <u>-</u> | <u>68</u> | <u>68</u> |
| NET POSITION | | | |
| Restricted for: | | | |
| Individuals, organizations, and other governments | <u>207,548</u> | <u>142,391</u> | <u>349,939</u> |
| Total net position | <u>207,548</u> | <u>142,391</u> | <u>349,939</u> |
| Total liabilities, deferred inflows, and fund balances | <u><u>\$ 211,542</u></u> | <u><u>\$ 174,500</u></u> | <u><u>\$ 386,042</u></u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2022

| | Private Purpose Trust Funds | Custodial Funds | Total |
|--|--|----------------------------|--------------------------|
| ADDITIONS | | | |
| Collections for other organizations | \$ - | \$ 96,525 | \$ 96,525 |
| Investment earnings | <u>2,432</u> | <u>-</u> | <u>2,432</u> |
| Total additions | <u>2,432</u> | <u>96,525</u> | <u>98,957</u> |
| DEDUCTIONS | | | |
| Payments made to organizations | <u>562</u> | <u>43,077</u> | <u>43,639</u> |
| Total deductions | <u>562</u> | <u>43,077</u> | <u>43,639</u> |
| Net increase in fiduciary net position | 1,870 | 53,448 | 55,318 |
| Net position - beginning | <u>205,678</u> | <u>88,943</u> | <u>294,621</u> |
| Net position - ending | <u><u>\$ 207,548</u></u> | <u><u>\$ 142,391</u></u> | <u><u>\$ 349,939</u></u> |

See notes to financial statements.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP including all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, adds the financial statement elements of deferred outflows of resources and deferred inflows of resources to the financial statements of all fund types and activities. A deferred outflow of resources represents the consumption of a government's net assets that is applicable to a future reporting period. A deferred inflow of resources represents the acquisition of net assets that is applicable to future reporting periods. Because deferred outflows of resources and deferred inflows of resources are, by definition, neither assets nor liabilities, the title of the statement of net assets is changed to *statement of net position*.

Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units to which the City appointed a voting majority of the component unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the City complies with GASB statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which relates to organizations that raise and hold economic resources for the direct benefit of the City.

Primary Government

The City is a political subdivision of the State of Montana, governed by an elected Mayor and Council duly elected by the registered voters of the City. The City is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) it has a separately elected government body (b) it is legally separate and (c) it is fiscally independent from the State and other local governments.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

Basis of Presentation

The government-wide financial statements (The Statement of Net Position and The Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of governmental and business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)
Government-Wide Financial Statements (Continued):

Basis of Presentation (Continued)

Generally the effect of interfund activities, payables and receivables have been eliminated. All internal balances in the Statement of Net Position have been eliminated except those representing balance between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal services fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The entity generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- (a) Total assets, liabilities, deferred inflows/outflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- (b) Total assets, liabilities, deferred inflows/outflows, revenues, or expenditures/expenses of that individual government or enterprise funds are at least five percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)
Fund Financial Statements (Continued):

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

Governmental Funds

The City reports the following major governmental funds:

- *General Fund* - This is the City's primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds.
- *Street Maintenance Fund* - This is the fund the City uses to track funds restricted for street maintenance.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control.

Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)
Fund Financial Statements (Continued):

Major Funds (Continued):

Proprietary Funds (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets, all revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following proprietary funds:

- *Water Fund* - An enterprise fund that accounts for the activities of the City's water distribution operations.
- *Sewer Fund* - An enterprise fund that accounts for the activities of the City's sewer collection and treatment operations and includes the storm sewer system.
- *Solid Waste Fund* - An enterprise fund that accounts for the activities of the City's solid waste service.
- *Storm Drain Fund* - An enterprise fund that accounts for the activities of the City's storm drain system.

Fiduciary Funds

Fiduciary funds are presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of the defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

- *Private Purpose Trust Funds* - Funds that are expendable or nonexpendable in which principal and earnings are used for the benefit of private organizations, individuals, or other government reporting units. These funds include cafeteria plan, Shelby energy share, and local disaster relief.
- *Custodial Funds* - To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists of assets held by the City as an agent for individuals, private organizations, other local governmental entities and the City's claims and payroll clearing funds. These funds include bed tax collection, fire relief, tourism business improvement, and specialty license plates.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

The costs of inventories are recorded as expenditures when purchased.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, The City considers all highly liquid investment with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Resources

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted (the total of committed, assigned, and unassigned) resources. In order to calculate the amounts to report as restricted or unrestricted in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted resources to have been depleted before unrestricted resources are applied. Further, when the components of unrestricted resources can be used for the same purpose, committed resources are depleted first, followed by assigned resources. Unassigned resources are applied last.

New Accounting Standards

The following Governmental Accounting Standards Board (GASB) Statements went into effect during the year:

- Statement No. 87 "Leases" went into effect during the year. Management made the determination that the City did not have leases in effect during the year subject to this statement.
- Statement No. 92, "Omnibus 2020" went into effect during the year. Management made the determination that prior period adjustments were not needed.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

- Statement No. 93, "Replacement of interbank Offered Rates" went into effect during the year. Management concluded that no further disclosures were required.
- Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-as amendment of GASB Statement No. 14 and No. 84, and supersedes GASB Statement No. 32." The provisions for this statement are effective for the current reporting period.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2022 are as follows:

| | Statement of Net Position | Agency Funds | Total |
|--|--|-------------------------|-------------------------|
| Cash on hand and deposits: | | | |
| Petty cash | \$ 1,150 | \$ - | \$ 1,150 |
| Cash in banks: | | | |
| Demand deposits | 1,054,218 | 385,974 | 1,440,192 |
| Savings deposits | 13,938 | - | 13,938 |
| Time deposits | 586,728 | - | 586,728 |
| | <u>1,656,034</u> | <u>385,974</u> | <u>2,042,008</u> |
| Investments: | | | |
| State Short-Term Investment Pool (STIP) | 6,202,642 | - | 6,202,642 |
| Federated Hermes Government Obligations Fund | 9,916 | - | 9,916 |
| U.S. Treasury Notes | 102,561 | - | 102,561 |
| Federal Agricultural Mortgage Corp | 24,794 | - | 24,794 |
| Federal Farm Credit Bank Notes | 213,756 | - | 213,756 |
| Federal Home Loan Bank Notes | 18,892 | - | 18,892 |
| Federal Home Loan Mortgage Corp | 88,090 | - | 88,090 |
| Federal National Mortgage Association | 27,543 | - | 27,543 |
| | <u>6,688,194</u> | <u>-</u> | <u>6,688,194</u> |
| Total | <u>\$ 8,344,228</u> | <u>\$ 385,974</u> | <u>\$ 8,730,202</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Fair Value Reporting of Investments

Investments are measured at fair value on the recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value:

- Level 1 - Inputs are quoted priced in active markets for identical assets
- Level 2 - Inputs are significant other observable inputs
- Level 3 - Inputs are significant unobservable inputs

Investments' fair value measurements are as follows at June 30, 2022:

| <u>Investments</u> | <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
|------------------------------------|---------------------|--------------------------------------|----------------|---------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| | | <u>Inputs</u> | <u>Inputs</u> | <u>Inputs</u> |
| Debt securities: | | | | |
| Federated Hermes Government | | | | |
| Obligations Fund | \$ 9,916 | \$ 9,916 | \$ - | \$ - |
| U.S Treasury Notes | 102,561 | 102,561 | - | - |
| Federal Agricultural Mortgage Corp | 24,794 | 24,794 | - | - |
| Federal Farm Credit Bank Notes | 213,756 | 213,756 | - | - |
| Federal Home Loan Bank Notes | 18,892 | 18,892 | - | - |
| Federal Home Loan Mortgage Corp | 88,090 | 88,090 | - | - |
| Federal National Mortgage Assoc | <u>27,543</u> | <u>27,543</u> | <u>-</u> | <u>-</u> |
| Total debt securities | 485,552 | 485,552 | - | - |
| Other investments: | | | | |
| State Short-Term Investment Pool | | | | |
| (STIP) | <u>6,202,642</u> | <u>-</u> | <u>-</u> | <u>6,202,642</u> |
| Total investments | <u>\$ 6,688,194</u> | <u>\$ 485,552</u> | <u>\$ -</u> | <u>\$ 6,202,642</u> |

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. There were not securities identified as Level 2. State Short-Term Investment Pool (STIP) were categorized as Level 3 which are backed by a variety of securities held and valued by STIP. The City relies on a statement provided to by STIP to assess the City's share of the value of the investment pool.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Credit Risk

Section 7-6-202, MCA, limits investments of public money of a local government to the following eligible securities:

- (a) United States government treasury bills, notes and bonds and United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations; or
- (b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States treasury obligations are held in a special custody account by an independent trust company in a certificate or book entry form with the Federal Reserve Bank of New York; or
- (c) Obligations of the following agencies of the United States, subject to the limitation in subsections 2 (not included):
 - (iii) federal home loan bank;
 - (iv) federal national mortgage association;
 - (v) federal home mortgage corporation; and
 - (vi) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding five years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and public money not necessary for immediate use by a county, city, or town that is not invested as authorized in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-2013.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2022:

| <u>Asset Class</u> | <u>% as of 6/30/2022</u> |
|-------------------------------|------------------------------|
| Cash/Cash Equivalents | 50.9 % |
| Agency or Government | 16.3 % |
| Commercial paper | 11.0 % |
| Certificates of Deposit | 9.9 % |
| U.S. Treasuries | 6.8 % |
| Commercial Notes | 3.3 % |
| Asset Backed Commercial Paper | 0.9 % |
| INTERCAP Bonds | 0.9 % |
| Total investments | <u>100.0 %</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

Audited financial statements for the State of Montana's Board of Investments are available at 555 Fuller Avenue in Helena, Montana.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2022, the City's bank balance was exposed to custodial credit risk as follows:

| <u>Depository Account</u> | <u>Amount</u> |
|--------------------------------|----------------------------|
| Insured | \$ 985,552 |
| Uninsured and uncollateralized | <u>1,550,037</u> |
| Total deposits and investments | <u><u>\$ 2,535,589</u></u> |

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for the portion of the deposits which is not guaranteed or insured according to law and, as to such guaranteed or uninsured portion, to the extent of:

- (c) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (d) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for the City of Shelby deposits at June 30, 2022 did not meet the amount required by the State statutes.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of individual investments as of June 30, 2022, along with their related interest rates and maturity dates.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

| June 30, 2022 - Investments | Interest Rate | Maturity Dates | Amount |
|--|--------------------------|---------------------------|-------------------|
| Federated Hermes Government Obligations Fund | N/A | N/A | \$ 5,681 |
| Federated Hermes Government Obligations Fund | N/A | N/A | 4,235 |
| United States treasury note | 1.250% | 8/31/24 | 14,513 |
| United States treasury note | 1.250% | 8/31/24 | 19,351 |
| United States treasury note | 2.250% | 12/31/24 | 29,441 |
| United States treasury note | 2.250% | 12/31/24 | 39,256 |
| Federal Agricultural Mortgage Corp | 1.350% | 2/27/23 | 24,794 |
| Federal farm credit bank | 1.890% | 9/12/22 | 10,064 |
| Federal farm credit bank | 1.820% | 12/23/22 | 4,993 |
| Federal farm credit bank | 1.820% | 11/23/22 | 4,993 |
| Federal farm credit bank | 1.810% | 12/13/22 | 14,989 |
| Federal farm credit bank | 2.860% | 1/19/23 | 21,306 |
| Federal farm credit bank | 0.660% | 9/15/25 | 4,621 |
| Federal farm credit bank | 1.950% | 10/28/25 | 24,206 |
| Federal farm credit bank | 1.950% | 10/28/25 | 24,206 |
| Federal farm credit bank | 0.550% | 7/22/26 | 12,651 |
| Federal farm credit bank | 2.630% | 8/3/26 | 29,431 |
| Federal farm credit bank | 2.630% | 8/3/26 | 29,755 |
| Federal farm credit bank | 1.000% | 10/7/26 | 13,771 |
| Federal farm credit bank | 1.600% | 12/14/26 | 9,385 |
| Federal farm credit bank | 1.600% | 12/14/26 | 9,385 |
| Federal home loan bank | 0.625% | 1/15/25 | 9,446 |
| Federal home loan bank | 0.625% | 1/15/25 | 9,446 |
| Federal home loan mortgage corporation | 2.000% | 7/27/22 | 25,503 |
| Federal home loan mortgage corporation | 0.250% | 6/26/23 | 9,741 |
| Federal home loan mortgage corporation | 0.250% | 6/26/23 | 9,733 |
| Federal home loan mortgage corporation | 0.500% | 6/3/24 | 19,043 |
| Federal home loan mortgage corporation | 0.500% | 6/3/24 | 19,050 |
| Federal home loan mortgage corporation | 1.500% | 2/12/25 | 5,020 |
| Federal national mortgage association | 0.500% | 11/7/25 | 27,543 |
| Total investments | | | <u>\$ 485,552</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2022. These amounts are reported within the restricted cash and investment account on the Statement of Net Position.

| <u>Description</u> | <u>Amount</u> |
|--|---------------------|
| Gas tax apportionment | \$ 671,805 |
| Revolving loan fund | 23,500 |
| 2012 curb gutter and sidewalk fund | 23,500 |
| Held by trustee for landfill closure postclosure liability in solid waste fund | 485,552 |
| Meet bond requirements within the water, sewer, and storm drain funds | <u>901,588</u> |
| | <u>\$ 2,105,945</u> |

4. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes, special assessments, proprietary funds receivable. The direct write-off method is used for these accounts.

Property tax levies are set on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

5. CAPITAL ASSETS

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

| | |
|----------------|---------------|
| Buildings | 40 years |
| Improvements | 10 - 20 years |
| Equipment | 5 - 10 years |
| Infrastructure | 25 years |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

5. CAPITAL ASSETS (CONTINUED)

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the June 30, 2022 basic financial statements. The government has elected not to retroactively report general infrastructure assets.

A summary of the changes in governmental capital assets for June 30, 2022, was as follows:

| Governmental Activities: | Balance 07/01/2021 | Additions | Deletions | Transfer In/Out | Balance 06/30/2022 |
|--|-------------------------------|-------------------|--------------------|----------------------------|-------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,158,433 | \$ 12,000 | \$ - | \$ - | \$ 1,170,433 |
| Construction in progress | <u>16,807</u> | <u>64,398</u> | <u>(13,205)</u> | <u>(3,602)</u> | <u>64,398</u> |
| Total capital assets not being depreciated | <u>1,175,240</u> | <u>76,398</u> | <u>(13,205)</u> | <u>(3,602)</u> | <u>1,234,831</u> |
| Other capital assets: | | | | | |
| Buildings | 3,279,409 | - | - | - | 3,279,409 |
| Improvements other than buildings | 4,694,630 | 130,739 | - | - | 4,825,369 |
| Machinery and equipment | 1,794,734 | 5,252 | (22,893) | 3,602 | 1,780,695 |
| Infrastructure | 3,085,495 | 732,796 | - | - | 3,818,291 |
| Transmission and distribution | <u>2,374</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,374</u> |
| Total other capital assets at historical cost | <u>12,856,642</u> | <u>868,787</u> | <u>(22,893)</u> | <u>3,602</u> | <u>13,706,138</u> |
| Less: accumulated depreciation | <u>(7,088,409)</u> | <u>(551,893)</u> | <u>22,893</u> | <u>-</u> | <u>(7,617,409)</u> |
| Total | <u>\$ 6,943,473</u> | <u>\$ 393,292</u> | <u>\$ (13,205)</u> | <u>\$ -</u> | <u>\$ 7,323,560</u> |

Governmental activities depreciation expense was charged to functions as of June 30, 2022, as follows:

| Governmental Activities: | 06/30/2022 Amount |
|--|------------------------------|
| General government | \$ 58,698 |
| Public safety | 75,792 |
| Public works | 167,619 |
| Culture and recreation | 127,714 |
| Miscellaneous | <u>122,070</u> |
| Total governmental activities depreciation expense | <u>\$ 551,893</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

5. CAPITAL ASSETS (CONTINUED)

A summary of changes in business-type capital assets for June 30, 2022, was as follows:

| Business-Type Activities: | Balance 07/01/2021 | Additions | Deletions | Transfers In/Out | Balance 06/30/2022 |
|---|-------------------------------|---------------------|------------------|-----------------------------|-------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 574,118 | \$ - | \$ - | \$ - | \$ 574,118 |
| Construction in progress | 10,322,023 | 1,593,877 | - | (9,135,947) | 2,779,953 |
| Total capital assets not being depreciated | 10,896,141 | 1,593,877 | - | (9,135,947) | 3,354,071 |
| Other capital assets: | | | | | |
| Buildings | 527,564 | - | - | - | 527,564 |
| Improvements other than buildings | 791,457 | - | - | - | 791,457 |
| Machinery and equipment | 2,114,564 | 143,475 | (8,821) | - | 2,249,218 |
| Infrastructure | - | 207,686 | - | 5,235,775 | 5,443,461 |
| Source of supply | 4,460,837 | 149,250 | - | 149,250 | 4,759,337 |
| Pumping plant | 137,490 | - | - | - | 137,490 |
| Treatment plant | 968,382 | 203,198 | - | 3,750,922 | 4,922,502 |
| Transmission and distribution | 16,353,099 | - | - | - | 16,353,099 |
| Total other capital assets at historical cost | 25,353,393 | 703,609 | (8,821) | 9,135,947 | 35,184,128 |
| Less: accumulated depreciation | (15,287,092) | (955,319) | 8,821 | - | (16,233,590) |
| Total | <u>\$ 20,962,442</u> | <u>\$ 1,342,167</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,304,609</u> |

6. LONG TERM DEBT OBLIGATIONS

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs and bond discounts on premiums are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

During the year ended June 30, 2022, the following changes occurred in liabilities reported as long-term debt:

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

6. LONG TERM DEBT OBLIGATIONS (CONTINUED)

| Governmental Activities: | Balance 07/01/2021 | Additions | Deletions | Balance 06/30/2022 | Due Within One Year |
|-----------------------------------|-------------------------------|------------------|---------------------|-------------------------------|--------------------------------|
| Special assessment bond | \$ 135,000 | \$ - | \$ (45,000) | \$ 90,000 | \$ 45,000 |
| Contracted debt | 248,883 | 39,284 | (13,473) | 274,694 | 9,777 |
| Compensated absences | 32,969 | - | (8,967) | 24,002 | 14,370 |
| Net pension liability | 254,576 | - | (94,898) | 159,678 | - |
| Other post-employment benefits | <u>37,316</u> | <u>-</u> | <u>(18,946)</u> | <u>18,370</u> | <u>-</u> |
| Total | <u>\$ 708,744</u> | <u>\$ 39,284</u> | <u>\$ (181,284)</u> | <u>\$ 566,744</u> | <u>\$ 69,147</u> |

Principal and interest paid in governmental funds for bonds and contract debt during the year ended June 30, 2022 totaled \$78,607. No interest was capitalized during the year. Interest incurred and charged to expense totaled \$20,134.

Debt is generally paid from the following funds:

- Special assessment bonds are paid from the 2012 Curb Gutter and Sidewalk fund.
- Contract debt payments are paid from the General fund.

| Business-Type Activities: | Balance 07/01/2021 | Additions | Deletions | Balance 06/30/2022 | Due Within One Year |
|-----------------------------------|-------------------------------|---------------------|---------------------|-------------------------------|--------------------------------|
| Revenue bonds | \$13,427,649 | \$ 836,778 | \$ (459,493) | \$13,804,934 | \$ 764,964 |
| Compensated absences | 92,921 | 10,909 | - | 103,830 | 75,106 |
| Intercap loans | 229,663 | 205,777 | (38,010) | 397,430 | 62,370 |
| Landfill closure/post closure | 584,708 | 18,430 | - | 603,138 | - |
| Net pension liability | 697,224 | - | (225,917) | 471,307 | - |
| Other post-employment benefits | <u>335,847</u> | <u>-</u> | <u>(170,516)</u> | <u>165,331</u> | <u>-</u> |
| Total | <u>\$15,368,012</u> | <u>\$ 1,071,894</u> | <u>\$ (893,936)</u> | <u>\$15,545,970</u> | <u>\$ 902,440</u> |

Principal and interest paid in business-type funds for bonds and Intercap loans during the year ended June 30, 2022 totaled \$882,428. No interest was capitalized during the year. Interest incurred and charged to expense totaled \$384,925.

Business-type activities debts are paid as follows:

- Revenue bonds are paid out of the Water, Sewer, and Storm Drain funds.
- Intercap loans and landfill closure/post closure cost are paid out of the Solid Waste Fund.
- The remaining debt is allocated between the Water, Sewer, and Solid Waste Funds based on salaries paid out of those funds.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

6. LONG TERM DEBT OBLIGATIONS (CONTINUED)

Special Assessment Debt (SID) - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Special assessment bonds outstanding as of June 30, 2022 were as follows:

| <u>Purpose</u> | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Annual Payment</u> | <u>Balance 06/30/2022</u> |
|----------------|-------------------------|----------------------|-------------|----------------------|-------------------------|-----------------------|---------------------------|
| SID 2011-2012 | 06/29/06 | 1.2-4.0% | 12 yrs | 07/01/24 | <u>\$ 470,000</u> | Varies | <u>\$ 90,000</u> |

Annual requirement to amortize debt:

| <u>For Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|------------------|
| 2023 | \$ 45,000 | \$ 3,600 | \$ 48,600 |
| 2024 | <u>45,000</u> | <u>1,800</u> | <u>46,800</u> |
| Total | <u>\$ 90,000</u> | <u>\$ 5,400</u> | <u>\$ 95,400</u> |

Revenue Bonds - The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding, net of an summarized premium at year-end were as follows:

| <u>Purpose</u> | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Bond Term</u> | <u>Maturity Date</u> | <u>Bond Amount</u> | <u>Annual Payment</u> | <u>Balance 06/30/2022</u> |
|-------------------------------|-------------------------|----------------------|------------------|----------------------|----------------------|-----------------------|---------------------------|
| 2002 water system DNRC | 05/09/02 | 2.0% | 20 yrs | 07/01/22 | \$ 677,000 | Varies | \$ 22,000 |
| 2003 drinking water rev fd | 11/04/04 | 2.3% | 20 yrs | 07/01/24 | 700,000 | Varies | 116,000 |
| Water - WRF-09136 | 01/09/09 | 3.0% | 20 yrs | 07/01/28 | 150,000 | Varies | 67,000 |
| Sewer-ARRA B SRF 10220 | 11/16/09 | 1.8% | 20 yrs | 07/01/25 | 359,300 | Varies | 158,000 |
| Sewer-ARRA C SRF 11266 | 12/17/09 | 3.0% | 20 yrs | 07/01/25 | 670,000 | Varies | 333,000 |
| Water-SRF 10 drinking water B | 08/26/10 | 0.8% | 20 yrs | 07/01/30 | 333,700 | Varies | 151,000 |
| Sewer system USDA | 09/17/13 | 3.5% | 42 yrs | 07/01/55 | 1,682,500 | Varies | 1,578,619 |
| Water system USDA | 09/17/13 | 3.5% | 42 yrs | 07/01/55 | 3,917,500 | Varies | 3,676,467 |
| Storm Drain DNRC | 06/06/17 | 2.5% | 30 yrs | 01/01/48 | 3,850,000 | Varies | 3,487,000 |
| Sewer-SRF 18423 | 11/15/17 | 2.5% | 30 yrs | 07/01/37 | 348,000 | Varies | 285,000 |
| Sewer-SRF Forgivable | 11/15/17 | N/A | N/A | TBD | 300,000 | Varies | 300,000 |
| Sewer-SRF 19439 | 08/29/2018 | 2.5% | 30 yrs | 08/31/48 | 1,850,000 | Varies | 1,698,000 |
| Sewer-SRF 20472 | 08/22/2019 | 2.5% | 30 yrs | 08/31/49 | 954,000 | Varies | 736,157 |
| Sewer-SRF 20473 | 08/22/2019 | 2.5% | 20 yrs | 08/31/39 | 746,000 | Varies | 490,388 |
| Water-SRF Forgivable | 06/16/2021 | N/A | N/A | TBD | 500,000 | Varies | 398,694 |
| Water-SRF 21489 | 06/16/2021 | 2.5% | 20 yrs | 07/01/41 | <u>535,000</u> | Varies | <u>307,609</u> |
| Total | | | | | <u>\$ 17,573,000</u> | | <u>\$ 13,804,934</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

6. LONG TERM DEBT OBLIGATIONS (CONTINUED)

Revenue bond resolution includes various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holder and the registrar. If found to be out of compliance with loan covenants or payment requirements a corrective action plan may be required by the lender.

Annual requirement to amortize debt:

| For Year Ended June 30, | Principal | Interest | Total |
|------------------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 764,964 | \$ 348,960 | \$ 1,113,924 |
| 2024 | 853,694 | 337,985 | 1,191,679 |
| 2025 | 443,141 | 326,740 | 769,881 |
| 2026 | 430,392 | 316,369 | 746,761 |
| 2027 | 440,757 | 306,434 | 747,191 |
| 2028-2032 | 2,187,510 | 1,363,874 | 3,551,384 |
| 2033-2037 | 2,072,703 | 1,090,422 | 3,163,125 |
| 2038-2042 | 2,058,442 | 810,864 | 2,869,306 |
| 2043-2047 | 2,297,047 | 531,123 | 2,828,170 |
| 2048-2052 | 1,483,890 | 247,134 | 1,731,024 |
| 2053-2057 | 772,394 | 47,091 | 819,485 |
| Total | <u>\$ 13,804,934</u> | <u>\$ 5,726,996</u> | <u>\$ 19,531,930</u> |

Loans/Contracted Debt - The CHS-Infrastructure loan was written off during the year. Debt outstanding as of June 30, 2022 were as follows:

| Purpose | Origination Date | Interest Rate | Term | Maturity Date | Principal Amount | Balance 06/30/2022 |
|-----------------------------|-----------------------------|--------------------------|-------------|--------------------------|-----------------------------|-------------------------------|
| Firehall improvement - USDA | 08/15/12 | 3.5% | 30 yrs | 06/05/42 | <u>\$ 350,000</u> | <u>\$ 274,694</u> |

Annual requirement to amortize debt:

| For Year Ended June 30, | Principal | Interest | Total |
|------------------------------------|-------------------|-------------------|-------------------|
| 2023 | \$ 9,777 | \$ 9,459 | \$ 19,236 |
| 2024 | 10,125 | 9,111 | 19,236 |
| 2025 | 10,485 | 8,751 | 19,236 |
| 2026 | 11,244 | 8,378 | 19,622 |
| 2027 | 11,644 | 7,992 | 19,636 |
| 2028-2032 | 62,511 | 33,669 | 96,180 |
| 2033-2037 | 74,446 | 21,734 | 96,180 |
| 2038-2042 | 84,462 | 7,518 | 91,980 |
| Total | <u>\$ 274,694</u> | <u>\$ 106,612</u> | <u>\$ 381,306</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

6. LONG TERM DEBT OBLIGATIONS (CONTINUED)

Intercap Loans - Intercap loans have a variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans. This debt is collateralized by the asset purchased. If payments are missed the asset maybe repossessed in lieu of payment.

Intercap loans outstanding as of June 30, 2022 were as follows:

| <u>Purpose</u> | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Balance 06/30/2022</u> |
|----------------|-------------------------|----------------------|-------------|----------------------|-------------------------|---------------------------|
| Caterpillar | 06/21/2022 | 4.75% | 4 yrs | 07/30/26 | \$ 205,777 | \$ 205,777 |
| Garbage Truck | 07/11/2018 | 4.3% | 8 yrs | 07/11/25 | <u>348,905</u> | <u>191,653</u> |
| Total | | | | | <u>\$ 554,682</u> | <u>\$ 397,430</u> |

Annual requirement to amortize debt:

| <u>For Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 62,370 | \$ 14,198 | \$ 76,568 |
| 2024 | 90,609 | 14,653 | 105,262 |
| 2025 | 94,754 | 10,508 | 105,262 |
| 2026 | 121,685 | 6,172 | 127,857 |
| 2027 | <u>28,012</u> | <u>665</u> | <u>28,677</u> |
| Total | <u>\$ 397,430</u> | <u>\$ 46,196</u> | <u>\$ 443,626</u> |

Compensated Absences - Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the City's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

7. POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least five years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. This benefit is reported as the Other Post-Employment Benefits (OPEB) liability. The government qualified to use the "Alternative Measurement Method" to calculate the liability. The above described OPEB plan does not provide a stand-alone financial report. The City adopted reporting this liability as outlined in GASB 75.

Funding Policy

The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Employees Covered by Benefit Terms

As of June 30, 2022, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 5 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>15</u> |
| | <u><u>20</u></u> |

Total OPEB Liability

As of June 30, 2022, the City's total OPEB liability is \$47,075 and was determined by using the alternative measurement method as of June 30, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless other wise specified:

OPEB Valuation

| | |
|--|--------|
| Average age of retirement based on historical data | 57.9 |
| Turnover rate | 0.00 % |
| Discount rate | 4.02 % |
| Average salary increase | 4.00 % |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

7. POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Healthcare cost trend rate:

| <u>From Year</u> | <u>To Year</u> | <u>Annual % Increase</u> | <u>From Year</u> | <u>To Year</u> | <u>Annual % Increase</u> |
|------------------|----------------|------------------------------|------------------|----------------|------------------------------|
| 2022 | 2023 | (6.44)% | 2053 | 2057 | 4.80 % |
| 2023 | 2024 | 6.50 % | 2057 | 2062 | 4.70 % |
| 2024 | 2025 | 6.00 % | 2062 | 2069 | 4.60 % |
| 2025 | 2026 | 5.90 % | 2069 | 2070 | 4.50 % |
| 2026 | 2027 | 5.70 % | 2070 | 2071 | 4.40 % |
| 2027 | 2028 | 5.60 % | 2071 | 2072 | 4.30 % |
| 2028 | 2029 | 5.50 % | 2072 | 2074 | 4.20 % |
| 2029 | 2030 | 5.30 % | 2074 | 2075 | 4.10 % |
| 2030 | 2047 | 5.20 % | 2075 | 2077 | 4.00 % |
| 2047 | 2048 | 5.10 % | 2077 | 2078 | 3.90 % |
| 2048 | 2050 | 5.00 % | 2078 | Forward | 3.80 % |
| 2050 | 2053 | 4.90 % | | | |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability reported by the City of Shelby, as well as how that liability would change if the discount rate used to calculate the OPEB liability were decreased or increased by 1 percent:

| | <u>1% Decrease 3.02%</u> | <u>Discount Rate 4.02%</u> | <u>1% Increase 5.02%</u> |
|----------------------|------------------------------|--------------------------------|------------------------------|
| Total OPEB liability | <u>\$ 193,980</u> | <u>\$ 183,701</u> | <u>\$ 173,949</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the total OPEB liability reported by the City of Shelby, as well as how that liability would change if the healthcare trend rate used in projecting benefit payments were to decrease or increase by 1 percent:

| | <u>1% Decrease*</u> | <u>Healthcare Cost Trend Rates*</u> | <u>1% Increase*</u> |
|----------------------|---------------------|---|---------------------|
| Total OPEB liability | <u>\$ 169,823</u> | <u>\$ 183,701</u> | <u>\$ 199,805</u> |

*See the actuarial assumptions and other inputs disclosure above to determine the healthcare cost trends used to calculate the OPEB liability.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

7. POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ending June 30, 2022, the City of Shelby recognized OPEB expense of \$47,075. The City of Shelby reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual expense | \$ - | \$ (220,109) |
| Changes in assumptions or other inputs | <u>-</u> | <u>(8,111)</u> |
| Total | <u>\$ -</u> | <u>\$ (228,220)</u> |

Amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> | <u>Incurred Year: 2022</u> |
|----------------------------|--------------------------------|
| 2022 | \$ (228,220) |
| 2023 | \$ - |
| 2024 | \$ - |
| 2025 | \$ - |
| 2026 | \$ - |
| Thereafter | \$ - |

8. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The solid waste fund owns a landfill. State and Federal laws and regulations require that City of Shelby place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and post closure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date.

The \$603,138 reported as landfill closure and post closure liability at June 30, 2022, represents the cumulative amount reported to date based on the use of 62.50% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$429,114 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure in 2022. The City expects to close the landfill in the year 2052. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

8. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The City is required to make annual contributions to trust accounts to finance all closure costs and postclosure costs. The City is in compliance with these requirements. At June 30, 2022, assets of \$485,552 were held for these purposes. The trust balances are reported as restricted investments on the statement of net position of the solid waste fund. The City expects that any future inflation costs will be paid from earning on these investments and future contributions. However, if investment earnings are inadequate or additional closure or postclosure care requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future users of the solid waste system or from future assessments.

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund Transfers

The following is an analysis of operating transfers in and out during the year ended June 30, 2022:

| <u>Purpose</u> | <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------|------------------------------------|---------------------|-------------------|
| Budgeted | General Fund | PERS | \$ 15,226 |
| Budgeted | General Fund | Health Insurance | 33,899 |
| Budgeted | General Fund | Permissive Medical | 11,279 |
| Budgeted | Solid Waste Fund | General Funds | 10,597 |
| Budgeted | 2015 Curb Gutter & Sidewalk SID | General Funds | <u>30,000</u> |
| | | | <u>\$ 101,001</u> |

Long-term Interfund Receivables and Payables

There are long-term interfund receivables and payables to cover negative cash balances. During the year ended June 30, 2022, the following changes occurred:

| <u>Receivable/Payable</u> | <u>Balance 07/01/2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 06/30/2022</u> | <u>Due Within One Year</u> |
|--|-------------------------------|------------------|---------------------|-------------------------------|--------------------------------|
| To sewer fund from general fund | \$ 79,366 | \$ - | \$ (79,366) | \$ - | \$ - |
| To street maintenance from fund solid waste fund | 45,274 | - | (22,275) | 22,999 | 22,999 |
| To permissive medical fund from solid waste fund | <u>21,505</u> | <u>-</u> | <u>(10,581)</u> | <u>10,924</u> | <u>10,924</u> |
| Total | <u>\$ 146,145</u> | <u>\$ -</u> | <u>\$ (112,222)</u> | <u>\$ 33,923</u> | <u>\$ 33,923</u> |

Loan from the general fund to the sewer fund to cover negative cash:

| <u>Origination Date</u> | <u>Interest Rate</u> | <u>Terms</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Annual Payment</u> | <u>Balance 06/30/2022</u> |
|-----------------------------|--------------------------|--------------|--------------------------|-----------------------------|---------------------------|-------------------------------|
| 01/01/2013 | 3.25% | 10 years | 01/01/2022 | <u>\$ 750,000</u> | <u>\$ 88,449</u> | <u>\$ -</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

9. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Long-term Interfund Receivables and Payables (CONTINUED)

Loan from the street maintenance fund to the solid waste fund to cover negative cash:

| <u>Origination Date</u> | <u>Interest Rate</u> | <u>Terms</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Annual Payment</u> | <u>Balance 06/30/2022</u> |
|-----------------------------|--------------------------|--------------|--------------------------|-----------------------------|---------------------------|-------------------------------|
| 6/30/2013 | 3.25% | 10 years | 6/30/2023 | <u>\$ 200,000</u> | <u>\$ 23,746</u> | <u>\$ 22,999</u> |

Annual requirement to amortize debt:

| <u>For Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|------------------|
| 2023 | <u>\$ 22,999</u> | <u>\$ 747</u> | <u>\$ 23,746</u> |

Loan from the permissive medical fund to the solid waste fund to cover negative cash:

| <u>Origination Date</u> | <u>Interest Rate</u> | <u>Terms</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Annual Payment</u> | <u>Balance 06/30/2022</u> |
|-----------------------------|--------------------------|--------------|--------------------------|-----------------------------|---------------------------|-------------------------------|
| 06/30/2013 | 3.25% | 10 years | 6/30/2023 | <u>\$ 95,000</u> | <u>\$ 11,279</u> | <u>\$ 10,924</u> |

Annual requirement to amortize debt:

| <u>For Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|------------------|
| 2023 | <u>\$ 10,924</u> | <u>\$ 355</u> | <u>\$ 10,924</u> |

10. NET PENSION LIABILITY

This disclosure was prepared based on the June 30, 2021 measurement date to prepare the reports for the June 30, 2022 fiscal year.

Plan Descriptions

PERS

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). The plan covers the State, local governments, certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may chose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of services, and highest average compensation (HAC). Member rights are vested after five year of services.

Summary of Benefits

Eligibility for Benefits

Service retirement:

| | |
|------------------------------|---|
| Hired prior to July 1, 2011: | Age 60, 5 years of membership services; Age 65, regardless of membership service; or Any age, 30 years of membership service. |
|------------------------------|---|

| | |
|---------------------------------|--|
| Hired on or after July 1, 2011: | Age 65, 5 years of membership service; Age 70, regardless of membership services. |
|---------------------------------|--|

Early Retirement

Early retirement, actuarially reduced:

| | |
|------------------------------|---|
| Hired prior to July 1, 2011: | Age 50, 5 years of membership service; or Any age, 25 years of membership service. |
|------------------------------|---|

| | |
|---------------------------------|--|
| Hired on or after July 1, 2011: | Age 55, 5 years of membership service. |
|---------------------------------|--|

Second Retirement (requires returning to PERS-covered employer or PERS services):

- 1) Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
 - b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving and new benefit from 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to services;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA stats on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 - highest compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 - highest average compensation during any consecutive 60 months;

Compensation Cap

Hired on or after July 1, 2013 - 110% annual cap on compensation considered as part of a member's highest average compensation.

Monthly Benefit Formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefits.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - * 1.5% for each year PERS is funded at or above 90%;
 - * 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - * 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below:

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional members contribution rates.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

Overview of contributions (Continued)

2. Employer contribution to the system:

- a) Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.
- b) Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- c) The Plan Choice Rate (PCR), that directed a portion of employer contributions for members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016, and the contributions previously directed to the PCR are now directed to member accounts.

3. Non Employer Contributions:

- a) Special Funding
 - i) The State contributes 0.10% of members' compensation on behalf of local government entities.
 - (ii) The State Contributes 0.37% of members' compensation on behalf of school district entities.
 - (iii) The state contributed a Statutory Appropriation from the General Fund of \$34,290,000.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

4. Member and employer contribution rates are show in the table below.

| Fiscal Year | Member | | State & Universities Employer | Local Government | | School Districts | |
|----------------|-------------------|-------------------|-------------------------------------|------------------|-------|------------------|--------|
| | Hired <7/01/11 | Hired >7/01/11 | | Employer | State | Employer | State |
| 2022 | 7.9% | 7.9% | 8.870% | 8.870% | 0.10% | 8.60% | 0.370% |
| 2021 | 7.9% | 7.9% | 8.870% | 8.770% | 0.10% | 8.50% | 0.370% |
| 2020 | 7.9% | 7.9% | 8.770% | 8.670% | 0.10% | 8.40% | 0.370% |
| 2019 | 7.9% | 7.9% | 8.670% | 8.570% | 0.10% | 8.30% | 0.370% |
| 2018 | 7.9% | 7.9% | 8.570% | 8.470% | 0.10% | 8.20% | 0.370% |
| 2017 | 7.9% | 7.9% | 8.470% | 8.370% | 0.10% | 8.10% | 0.370% |
| 2016 | 7.9% | 7.9% | 8.370% | 8.270% | 0.10% | 8.00% | 0.370% |
| 2015 | 7.9% | 7.9% | 8.270% | 8.170% | 0.10% | 7.90% | 0.370% |
| 2014 | 9.0% | 7.9% | 8.170% | 8.070% | 0.10% | 7.80% | 0.370% |
| 2012-2013 | 6.9% | 7.9% | 7.170% | 7.070% | 0.10% | 6.80% | 0.370% |
| 2010-2011 | 6.9% | -% | 7.170% | 7.070% | 0.10% | 6.80% | 0.370% |
| 2008-2009 | 6.9% | -% | 7.035% | 6.935% | 0.10% | 6.80% | 0.235% |
| 2000-2007 | 6.9% | -% | 6.900% | 6.800% | 0.10% | 6.80% | 0.100% |

Stand-Alone Statements

The financial statements of the Montana Public Employees' Retirement Board's (PERS) Comprehensive Annual Financial Report (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERS at P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154 or the MPERA website at <http://mpera.mt.gov/annualReports.shtml>.

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employee's Retirement System Defined Benefit Retirement Plan (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability (NPL), Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure used a calculation that adds the annual normal cost (also called the services cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

The State of Montana, as the non-employer contributing entity, paid the Plan additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

Net Pension Liability (Continued)

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

| As of measurement date | NPL as of 06/30/2021 | NPL as of 06/30/2020 | Percent of Collective NPL as of 06/30/2021 | Percent of Collective NPL as of 06/30/2020 | Change in Percent of Collective NPL |
|---|----------------------|----------------------|--|--|-------------------------------------|
| Employer's Proportionate Share | \$ 630,987 | \$ 951,801 | 0.034799 % | 0.036078 % | (0.001279)% |
| State of Montana Proportionate Share Associated with the Employer | <u>188,142</u> | <u>302,960</u> | <u>0.010376 %</u> | <u>0.011484 %</u> | <u>(0.001108)%</u> |
| Total | <u>\$ 819,129</u> | <u>\$ 1,254,761</u> | <u>0.045175 %</u> | <u>0.047562 %</u> | <u>(0.002387)%</u> |

The Table above displays the employer proportionate share of the NPL and the employer's proportion of NPL for June 30, 2021 and 2020. The employer's proportion of the NPL was passed on the employer's contributions received by PERS during the measurement period July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all PERS' participating employers. As of the employer's reporting date the employer recorded a liability of \$630,987 and the employer's proportionate share was 0.034799%.

Changes in Actuarial Assumptions and Methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL:

- The discount rate was lowered from 7.34% to 7.06%
- The investment rate of return was lowered from 7.34% to 7.06%
- The inflation rate was reduced from 2.75% to 2.40%

Changes in Benefit Terms:

There have been no changes in the benefit terms since the previous measurement date.

Changes in Proportionate Share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

Pension Expense PERS:

| As of measurement date | Pension Expense as of 06/30/2021 | Pension Expense as of 06/30/2020 |
|---|--|--|
| Employer's Proportionate Share | \$ (42,094) | \$ 40,262 |
| State of Montana Proportionate Share Associated with the Employer | 47,479 | 49,547 |
| Total | <u>\$ 5,385</u> | <u>\$ 89,809</u> |

At June 30, 2021, the employer recognized its proportionate share of the PERS' Pension Expense of \$(42,094). The employer also recognized grant revenue of \$47,479 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

Deferred Inflows and Outflows

At June 30, 2021, the employer reported its proportionate share of PERS' deferred outflow of resources and deferred inflows of resources related to PERS from the following sources:

| | PERS Deferred Outflows of Resources | PERS Deferred Inflows of Resources | Total Deferred Outflows of Resources | Total Deferred Inflows of Resources |
|---|--|---|---|--|
| Differences between actual and expected experience | \$ 6,734 | \$ 4,568 | \$ 6,734 | \$ 4,568 |
| Actual vs expected investment earnings | - | 255,619 | - | 255,619 |
| Changes in assumptions | 93,461 | - | 93,461 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 35,006 | - | 35,006 |
| Employer contributions subsequent to the measurement date | 62,326 | - | 62,326 | - |
| Total | <u>\$ 162,521</u> | <u>\$ 295,193</u> | <u>\$ 162,521</u> | <u>\$ 295,193</u> |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

Deferred Inflows and Outflows (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the measurement year ending June 30, | Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to Pension Expense |
|---|--|
| 2022 | \$ (22,412) |
| 2023 | \$ (29,248) |
| 2024 | \$ (61,739) |
| 2025 | \$ (81,600) |
| Thereafter | \$ - |

Actuarial Assumptions

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) was determined by an actuarial valuation as of June 30, 2020, with updated procedures to roll forward the TPL to June 30, 2021. Among those assumptions were the following:

| | |
|--|-------------|
| General Wage Growth* | 3.50% |
| *Includes Inflation at | 2.40% |
| Merit Increases - PERS | 0% to 4.80% |
| Investment Return (net of admin expense) | 7.06% |
| Admin Expense as % of Payroll | 0.28% |

Post Retirement Increases

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - * 1.5% for each year PERS is funded at or above 90%;
 - * 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - * 0% whenever the amortization period for PERS is 40 years or more.

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

Post Retirement Increases (Continued)
Guaranteed Annual Benefit Adjustment (GABA)(Contained)

Mortality assumptions among disabled retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.10% of salaries for local government and 0.37% for school districts. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumption published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 *OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return Arithmetic Basis</u> |
|-----------------------|--------------------------------|--|
| Cash | 3.00 % | 0.33% |
| Domestic Equity | 30.00 % | 5.90% |
| International Equity | 17.00 % | 7.14% |
| Private Investments | 15.00 % | 9.13% |
| Natural Resources | 5.00 % | 4.03% |
| Real Estate | 9.00 % | 5.41% |
| Core Fixed Income | 15.00 % | 1.14% |
| Non-Core Fixed Income | <u>6.00 %</u> | 3.02% |
| Total | <u>100.00 %</u> | |

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

10. NET PENSION LIABILITY (CONTINUED)

Sensitivity Analysis

| | 1.0% Decrease (6.06%) | Current Discount Rate | 1.0% Increase (8.06%) |
|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Employer's Net Pension Liability | <u>\$ 1,001,592</u> | <u>\$ 630,985</u> | <u>\$ 320,134</u> |

The above table presents the employer's sensitivity to the Net Pension Liability to the discount rate. A small change in the discount rate can create a significant change in the liability. The Net Pension Liability was calculated using the discount rate of 7.06%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

In governmental fund type accounts, fund equity is called "fund balance". Fund balance is reported in the following classifications which reflect the extent to which the City is bound to honor constraints on the purposes for which the amounts can be spent: nonexpendable, restricted, committed, assigned, and unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are commingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of the spending is restricted first, committed second, assigned third, and finally unassigned.

Fund balances of the governmental funds are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES (CONTINUED)

Assigned - Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned - All amounts not included in other spendable classifications.

The table below shows the detail of fund balance for governmental funds as of June 30, 2022:

| Purpose | General Fund | Street Maintenance Fund | Non-Major Funds | Total |
|--------------------------------------|---------------------|--|----------------------------|---------------------|
| Restricted fund balance | | | | |
| Debt service | \$ - | \$ - | \$ 212,497 | \$ 212,497 |
| Road maintenance | 671,805 | 321,974 | - | 993,779 |
| Street light maintenance | - | - | 285,506 | 285,506 |
| Sidewalk maintenance | - | - | 39,775 | 39,775 |
| Park maintenance | - | - | 10,837 | 10,837 |
| Trails grants | - | - | 6,292 | 6,292 |
| Swimming pool | - | - | 12,684 | 12,684 |
| Disaster recovery | - | - | 22,608 | 22,608 |
| Police pension/training | - | - | 35,555 | 35,555 |
| Historical preservation | - | - | 763 | 763 |
| Insurance | - | - | 37,360 | 37,360 |
| Capital projects | - | - | 20,343 | 20,343 |
| Community development | - | - | 4,548 | 4,548 |
| Special Assessments | - | - | 2,880 | 2,880 |
| Home improvement/purchase assistance | - | - | 220,735 | 220,735 |
| Port Authority | - | - | 903 | 903 |
| Restricted total | 671,805 | 321,974 | 913,286 | 1,907,065 |
| Unassigned fund balance | 1,242,760 | - | - | 1,242,760 |
| Total fund balance | <u>\$ 1,914,565</u> | <u>\$ 321,974</u> | <u>\$ 913,286</u> | <u>\$ 3,149,825</u> |

12. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Tri-City Interlocal Agreement

The Cities of Shelby, Cut Bank, and Conrad entered into a joint venture agreement for the purpose of acquiring, maintaining, and operating major items of equipment which each city could not individually afford. The joint venture is administered by a nine member Board. Each City appoints three members to the Board, one of which is to be the Mayor. The joint venture files financial information annually with the State of Montana and this information is available for public viewing on the Local Government Service Bureau website "Transparency in Local Government".

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

12. JOINT VENTURES (CONTINUED)

Tri-City Interlocal Agreement (Continued)

Annually, each City contributes an amount agreed upon by all parties, but not less than \$20,000. The Board prepares an operating budget each year, and presents the budget to each of the Cities. Monies approved by the Cities are deposited in a fund controlled by the Board. This fund is held in a bank of the City of Shelby as an investment in joint venture that is reported both in the general fixed asset account group and in the proprietary funds. The title to the equipment purchased by the joint venture vests in the Cities in direct proportion to their contributions. If any equipment is sold during the course of the joint venture, the proceeds realized from the sale will be distributed to the Cities in direct proportion to their contributions.

The following is a summary of the Shelby/Cut Bank/Conrad Equipment Joint Venture operation for the year ended June 30, 2022:

| | <u>Total</u> | <u>City of Shelby's Share</u> |
|-------------------|---------------------|--|
| Total assets | \$ <u>740,798</u> | \$ <u>246,933</u> |
| Total liabilities | \$ <u>258,604</u> | \$ <u>86,201</u> |
| Total equity | \$ <u>482,194</u> | \$ <u>160,731</u> |
| Total revenues | \$ <u>98,944</u> | \$ <u>32,981</u> |
| Total expenses | \$ <u>99,617</u> | \$ <u>33,206</u> |

At June 30, 2022, the City of Shelby's share of the joint venture capital assets was \$160,731. The joint venture capital assets included some related to the City's governmental fund operations and some related to the City's enterprise fund operations.

As required by generally accepted accounting principles, the equity method of accounting was adopted by the City for the enterprise fund's involvement in the joint venture. An investment in Tri-City equipment Interlocal in the amount of \$111,925 was reported in the enterprise fund balance sheet at June 30, 2022 and \$48,806 in the general fund.

City-County Interlocal Fire Protection Agency

Toole County and the City of Shelby entered into a fire protection agreement effective December 16, 1996, where the City agrees to provide fire-fighting services as required by the County Fire Department. The only fire-fighting equipment obligated to proceed to any fire in South Toole County shall be owned by the County. The City has no obligation to furnish any more personnel with the equipment of the County than the minimum necessary to man such equipment contingent upon the volunteer firemen being available. The County in return agrees to pay the City an annual sum of \$36,000, maintain liability insurance in an amount sufficient to cover its indemnity obligations, but not less than \$1,000,000, and shall provide any fire equipment that it may have to the City for fires within the City limits.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

12. JOINT VENTURES (CONTINUED)

North Central Montana Regional Water Authority Agreement

The City of Shelby and North Central Montana Regional Water Authority have an agreement to sell and purchase water for the term of 30 years from the date of the initial delivery of any water. The City of Shelby has agreed to provide drinking water, not to exceed 1,847,000 gallons of potable drinking water per day to the Authority, which will be used to provide drinking water to the City of Cut Bank, the Town of Kevin, the Oilmont County Water District, the Town of Sunburst, the Sweet Grass County Water District, and the Galata County Water District. In return, the Authority agrees to pay the City on a monthly basis from the following schedule rates:

| <u>Usage</u> | <u>Rate</u> |
|--|--|
| 0 up to 79,240 gallons per month | \$153.10 per month, minimum rate |
| 79,241 up to 1,728,000 gallons per month | \$0.91 per 1,100 gallons metered |
| Usage in excess of 1,728,000 gallons per month | \$1.23 per 1,000 gallons for the excess only |

The authority files financial information annually with the State of Montana and this information is available for public viewing on the Local Government Service Bureau website "Transparency in Local Government".

Contingent Liability

The terms of this agreement require the City to purchase water once the line to deliver the Authority's water to the City is completed. It is not known when this water line will be completed because it is being built with federal funds and is contingent on congress's future funding commitments. Withdrawing from this agreement has a cost associated with it based on the investment made by the Authority. The City currently has no way of assessing what this cost would be. Currently the City has no plans to withdraw from this agreement.

When this water line is completed, the City may shut down its current water treatment facility. The debt for this facility may not be paid off which would lead to increased water costs to City residents. The City is negotiating agreements with the Authority to reduce the cost impact to the users of the water system. The date for switching to the Authority's water supply has not been determined. The potential impact to the City and its water users has not been determined.

There have been significant time delays and cost increased from the original estimate of building and installing the infrastructure to service communities in the Authority's boundaries. The management of the Authority and the City continually evaluate their options and the needs of the citizens they represent in their decision making process.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

13. SERVICES PROVIDED TO OTHER GOVERNMENTS

County Provided Services

The City is provided various financial services by Toole County. The County also serves as cashier and treasurer for the City for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the City are accounted for in an agency fund in the City's name and are periodically remitted to the City by the County Treasurer. No service charges have been recorded by the City or the County.

14. RISK MANAGEMENT

The City faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

Insurance Pools

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort actions are \$750,000 per claim and \$1.5 million per occurrence with a \$3,750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums. The tort liability plan and worker's compensation program issued bonds in the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service. Based on the plan's current financial position, the City does not expect to make any payments on these notes.

CITY OF SHELBY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

15. SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 19, 2023, which is the date the financial statements were available to be issued.

- November 2022 the City awarded contracts to build the North Water Line. The project is expected to cost \$900,000 and be paid for through grant funding.
- March 2023 awarded contracts to build a new water tank at the airport. The project is expected to cost \$2,231,000 and be paid for through grant funding.
- The City is preparing to award contracts to build a backup power supply for the water system. The project is expected to cost \$490,000 and be paid for with grant funds.
- The City is preparing to award contracts to build a storm water system on the south side of town. The project is expected to cost \$3,600,000 and be paid for with grant funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHELBY, MONTANA
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

| | General | | | |
|---|-------------------------|------------------|------------------------|--------------------------|
| | Budgeted Amounts | | Actual | Variance |
| | Original | Final | Budgetary Basis | With Final Budget |
| Resources (inflows) | | | | |
| Taxes and assessments | \$ 838,100 | \$ 838,100 | \$ 898,165 | \$ 60,065 |
| Licenses and permits | 25,500 | 25,500 | 57,873 | 32,373 |
| Intergovernmental | 1,685,000 | 1,685,000 | 768,043 | (916,957) |
| Charges for services | 67,500 | 67,500 | 65,990 | (1,510) |
| Fines and forfeitures | 15,000 | 15,000 | 13,233 | (1,767) |
| Miscellaneous | 55,450 | 55,450 | 86,898 | 31,448 |
| Investment earnings | 5,000 | 5,000 | (92,776) | (97,776) |
| Amounts available for appropriation | <u>2,691,550</u> | <u>2,691,550</u> | <u>1,797,426</u> | <u>(894,124)</u> |
| Charges to appropriations (outflows) | | | | |
| General government | 227,132 | 227,132 | 159,316 | 67,816 |
| Public safety | 630,381 | 630,381 | 647,852 | (17,471) |
| Public works | 207,133 | 207,133 | 169,077 | 38,056 |
| Public health | 30,615 | 30,615 | 28,878 | 1,737 |
| Culture and recreation | 324,385 | 324,385 | 295,814 | 28,571 |
| Housing and community development | 910,400 | 910,400 | 80,303 | 830,097 |
| Conservation of natural resources | 500 | 500 | 222 | 278 |
| Debt service - principal | 97,948 | 97,948 | 13,473 | 84,475 |
| Debt service - interest | 9,738 | 9,738 | 14,847 | (5,109) |
| Miscellaneous | 15,000 | 15,000 | 17,298 | (2,298) |
| Capital outlay | <u>352,000</u> | <u>352,000</u> | <u>133,924</u> | <u>218,076</u> |
| Total charges to appropriations | <u>2,805,232</u> | <u>2,805,232</u> | <u>1,561,004</u> | <u>1,244,228</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 150,000 | 150,000 | 60,403 | (89,597) |
| Transfers out | <u>(30,000)</u> | <u>(30,000)</u> | <u>(40,598)</u> | <u>(10,598)</u> |
| Total financing sources | <u>120,000</u> | <u>120,000</u> | <u>19,805</u> | <u>(100,195)</u> |
| Net change in fund balance | <u>\$ 6,318</u> | <u>\$ 6,318</u> | 256,227 | <u>\$ 249,909</u> |
| Fund balance, beginning of year | | | <u>1,658,338</u> | |
| Fund balance, end of year | | | <u>\$ 1,914,565</u> | |

CITY OF SHELBY, MONTANA
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

| | Street Maintenance Fund | | | |
|---|----------------------------|----------------------------|-------------------------------|--------------------------|
| | Budgeted Amounts | | Actual | Variance |
| | Original | Final | Amounts Budgetary Basis | With Final Budget |
| Resources (inflows) | | | | |
| Intergovernmental | \$ - | \$ - | \$ 100,778 | \$ 100,778 |
| Miscellaneous | 263,000 | 263,000 | 274,375 | 11,375 |
| Investment earnings | - | - | 1,471 | 1,471 |
| Amounts available for appropriation | <u>263,000</u> | <u>263,000</u> | <u>376,624</u> | <u>113,624</u> |
| Charges to appropriations (outflows) | | | | |
| Public works | 60,538 | 60,538 | 19,484 | 41,054 |
| Capital outlay | <u>640,000</u> | <u>640,000</u> | <u>476,924</u> | <u>163,076</u> |
| Total charges to appropriations | <u>700,538</u> | <u>700,538</u> | <u>496,408</u> | <u>204,130</u> |
| Transfers in | <u>23,746</u> | <u>23,746</u> | - | (23,746) |
| Total financing sources | <u>23,746</u> | <u>23,746</u> | - | (23,746) |
| Net change in fund balance | <u><u>\$ (413,792)</u></u> | <u><u>\$ (413,792)</u></u> | (119,784) | <u><u>\$ 294,008</u></u> |
| Fund balance, beginning of year | | | <u>441,758</u> | |
| Fund balance, end of year | | | <u><u>\$ 321,974</u></u> | |

CITY OF SHELBY, MONTANA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30,

| Total OPEB Liability | 2022 Amount | 2021 Amount | 2020 Amount | 2019 Amount | 2018 Amount |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Service cost | \$ 39,022 | \$ 35,139 | \$ 43,133 | \$ 42,485 | \$ 37,463 |
| Interest* | 16,570 | 8,987 | 11,822 | 14,001 | 13,116 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (220,109) | (32,981) | (116,866) | 6,827 | 8,991 |
| Changes of assumptions or other inputs | (16,428) | 8,317 | 5,728 | 26,741 | (7,831) |
| Benefit payments | <u>(8,517)</u> | <u>(7,042)</u> | <u>(7,237)</u> | <u>(9,098)</u> | <u>(9,974)</u> |
| Net change in total OPEB liability | (189,462) | 12,420 | (63,420) | 80,956 | 41,765 |
| Total OPEB liability - beginning | <u>373,163</u> | <u>360,743</u> | <u>424,163</u> | <u>343,207</u> | <u>301,442</u> |
| Total OPEB liability - ending | <u>\$ 183,701</u> | <u>\$ 373,163</u> | <u>\$ 360,743</u> | <u>\$ 424,163</u> | <u>\$ 343,207</u> |
| Covered - employee payroll | <u>\$ 671,932</u> | <u>\$ 628,855</u> | <u>\$ 747,218</u> | <u>\$ 635,622</u> | <u>\$ 692,664</u> |
| Total OPEB liability as a percentage of covered-employee payroll | 27.34 % | 59.34 % | 48.28 % | 66.73 % | 49.55 % |

*Interest includes beginning of year Total OPEB liability and service cost.

No change in terms.

Changes of assumptions: Revised discount rate per Bond Buyer's 20-year municipal bond rate as of June 30, 2022.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SHELBY, MONTANA
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
For the Last Ten Fiscal Years Ended June 30,*

| As of measurement date | <u>PERS 2021</u> | <u>PERS 2020</u> | <u>PERS 2019</u> | <u>PERS 2018</u> | <u>PERS 2017</u> | <u>PERS 2016</u> | <u>PERS 2015</u> | <u>PERS 2014</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Employer's proportion of the net pension liability as a percentage | 0.0348 % | 0.0361 % | 0.0385 % | 0.0423 % | 0.0551 % | 0.0614 % | 0.0630 % | 0.0672 % |
| Employer's proportionate share of the net pension liability as an amount | \$ 630,986 | \$ 951,800 | \$ 804,126 | \$ 883,191 | \$ 1,073,856 | \$ 1,045,024 | \$ 880,707 | \$ 837,200 |
| State of Montana's proportionate share of the net pension liability associated with the employer | <u>188,143</u> | <u>302,960</u> | <u>263,495</u> | <u>297,091</u> | <u>16,049</u> | <u>12,769</u> | <u>10,818</u> | <u>10,224</u> |
| Total | <u>\$ 819,129</u> | <u>\$ 1,254,760</u> | <u>\$ 1,067,621</u> | <u>\$ 1,180,282</u> | <u>\$ 1,089,905</u> | <u>\$ 1,057,793</u> | <u>\$ 891,525</u> | <u>\$ 847,424</u> |
| Employer's covered payroll | <u>\$ 611,108</u> | <u>\$ 605,327</u> | <u>\$ 634,744</u> | <u>\$ 701,066</u> | <u>\$ 672,081</u> | <u>\$ 734,880</u> | <u>\$ 735,262</u> | <u>\$ 766,613</u> |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | 103.25 % | 157.24 % | 126.69 % | 125.98 % | 159.78 % | 142.20 % | 119.78 % | 111.22 % |
| Plan fiduciary net position as a percentage of the total pension liability | 79.91 % | 68.90 % | 73.85 % | 73.47 % | 73.75 % | 74.71 % | 78.40 % | 79.87 % |

* The amounts presented for each fiscal year were determined as of June 30, the measurement date.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SHELBY, MONTANA
SCHEDULE OF CONTRIBUTIONS
For the Last Ten Fiscal Years Ending June 30,*

| As of most recent Fiscal Year End (reporting date) | PERS 2022 | PERS 2021 | PERS 2020 | PERS 2019 | PERS 2018 | PERS 2017 | PERS 2016 | PERS 2015 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contributions | \$ 62,326 | \$ 53,594 | \$ 52,481 | \$ 54,392 | \$ 58,943 | \$ 57,250 | \$ 61,425 | \$ 60,589 |
| Plan choice rate required contributions | - | - | - | - | - | - | 3,455 | 3,147 |
| Contributions in relation to the contractually required contributions | <u>\$ 62,326</u> | <u>\$ 53,594</u> | <u>\$ 52,481</u> | <u>\$ 54,392</u> | <u>\$ 58,943</u> | <u>\$ 57,250</u> | <u>\$ 64,880</u> | <u>\$ 63,736</u> |
| Contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Employer's covered payroll | <u>\$ 702,654</u> | <u>\$ 611,108</u> | <u>\$ 605,327</u> | <u>\$ 634,744</u> | <u>\$ 701,066</u> | <u>\$ 672,081</u> | <u>\$ 734,880</u> | <u>\$ 735,262</u> |
| Contributions as a percentage of covered payroll | 8.870 % | 8.770 % | 8.670 % | 8.569 % | 8.408 % | 8.518 % | 8.359 % | 8.240 % |

* The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF SHELBY, MONTANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

1. BUDGETARY INFORMATION

Budgets are legally required and are prepared for all the City's governmental funds. Except for on-behalf payments by the State of Montana for pension plan contributions, these budgets are prepared on the same basis and use the same accounting practices as are used to account for and prepare financial reports for the governmental funds, consistent with accounting principles generally accepted in the United States of America

2. CHANGES OF BENEFIT TERMS

The following changes to the plan provision were made as identified:

2017 Legislative Changes:

Working Retiree Limitations - for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts

Effective July 1, 2017, the interest rate credited to the member accounts increased from 0.25% to 0.77%.

Lump-sum payout's

Effective July 1, 2017, lump-sum payout's in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DEC disable members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit unit age 65.

CITY OF SHELBY, MONTANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2022

3. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS - NET PENSION LIABILITY

Method and assumptions used in calculations of actuarially determined contributions:

The following addition to the actuarial assumptions was adopted from the June 30, 2020 Experience Study:

| | |
|-------------------------------|---|
| General wage growth* | 3.50% |
| Investment rate of return* | 7.65% |
| *Includes inflation at | 2.75% |
| Merit salary increases | 0% to 8.47% |
| Asset valuation method | 4-year smoothed market |
| Actuarial cost method | Entry age Normal |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 30 years |
| Mortality (healthy members) | For males and females: RP 2000 combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year |
| Mortality (disabled members) | For males and females: RP 2000 combined mortality table, with no projections |
| Admin expense as % of payroll | 0.28% |

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the system. This amount varies from year to year based on the prior year's actual administrative expenses.

The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six year experience study for the period ending 2016.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Honorable Mayor,
City Council members
City of Shelby, Montana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelby, Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Shelby, Montana's basic financial statements and have issued our report thereon dated June 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Shelby, Montana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Shelby, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Shelby, Montana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Shelby, Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Shelby, Montana's Response to Findings

The City of Shelby, Montana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Shelby, Montana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
June 19, 2023

CITY OF SHELBY, MONTANA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

The following is a schedule of findings and other matters which arose during the audit for the year ended June 30, 2022:

2022-001: RECORDING NEW DEBT PROCEEDS - SEWER FUND AND SOLID WASTE FUND

CRITERIA

New long-term debt should be recorded as long-term liabilities on the statement of net position of the proprietary funds.

CONDITION

The City recorded debt proceeds \$247,000 in the sewer fund and \$206,000 in the solid waste fund as other financing source on the statement of activities.

CAUSE

Small city's generally record new debt as other financing source income on the statement of activities for both the governmental funds and the proprietary funds when the funds are received. Then at year end the loan proceeds received in the proprietary funds is reclassified to the statement of net position as a year end closing adjustment. The City did not reclassify these funds at year end.

EFFECT

Non operating revenue was over stated and long-term liabilities was understated by \$247,000 in the sewer fund and \$206,000 in the solid waste fund.

RECOMMENDATION

The City should review account balances at year end for new debt received in the proprietary funds to make sure it is properly classified.

2022-002: RECORDING FIXED ASSET PURCHASES - WATER FUND AND STORM DRAIN FUND

CRITERIA

Newly purchased fixed assets should be recorded as capital assets on the statement of net position of the proprietary funds.

CONDITION

The City recorded fixed assets purchased during the year of \$1,448,000 in the water fund and \$675,000 in the storm drain fund as capital outlay on the statement of activities.

CAUSE

Small city's generally record fixed asset purchases as capital outlay on the statement of activities for both the governmental funds and the proprietary funds when the funds are spent. Then at year end the capital outlay in the proprietary funds is reclassified to the statement of net position as a year end closing adjustment. The City did not reclassify these expenditures at year end.

EFFECT

Expenditures were over stated and capital assets were was understated by \$1,448,000 in the water fund and \$675,000 in the storm drain fund.

RECOMMENDATION

The City should review account balances at year end for purchases of fixed assets in the proprietary funds to make sure it properly classifies them as capital assets on the statement of net position.

CITY OF SHELBY, MONTANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2022

The following is a schedule of findings and the implementation status of those findings which arose during the audit for the years ending June 30, 2021:

2015-005, 2017-004, 2018-003, 2019-003, 2020-001, 2021-001: SOLID WASTE FUND DEFICIT FUND BALANCE

CONDITION: Overall the Solid Waste Fund did not have a deficit fund balance. However, a deficit unrestricted fund balance of \$(190,137) remained as of June 30, 2021. The Solid Waste Fund had a deficit fund balance of \$(8,726) as of June 30, 2020. The Solid Waste Fund had deficit fund balance of \$(92,185) as of June 30, 2019. The Solid Waste Fund as a deficit fund balance of \$(253,625) as of June 30, 2018. The Solid Waste Fund had a deficit fund balance of \$(513,486) at June 30, 2017. The Solid Waste Fund had a deficit fund balance of \$(566,792) and \$(396,189) at June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, the Solid Waste Fund had cash balances of \$49,043 and \$74 respectively, and restricted cash balances of \$330,455 and \$84,039, respectively. At June 30, 2015 and 2014, the Solid Waste Fund had advances payable to other funds of \$(265,938) and \$(292,203); and due to other funds of \$(132,923), respectively.

STATUS: Finding was resolved.

CITY OF SHELBY

112 First Street South
Shelby, MT 59474
Telephone: (406) 434-5222
FAX: (406) 434-2039
www.shelbymt.com



2022-001

The city will work with the auditor to make sure the debt is reclassified at year end.

2022-002

The city will work with the auditor to make sure fixed assets are properly classified before financial statement preparation.

STATISTICAL SECTION

CITY OF SHELBY, MONTANA
GOVERNMENT WIDE FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and investments | \$ 6,238,283 | \$ 5,404,964 | \$ 3,328,381 | \$ 2,752,340 | \$ 2,358,301 | \$ 1,464,486 | \$ 941,967 | \$ 1,329,145 |
| Taxes and assessments receivable, net | 445,087 | 477,479 | 506,028 | 373,826 | 330,489 | 274,049 | 229,935 | 323,342 |
| Special assessments receivable deferred | 993 | 2,890 | 6,487 | 6,898 | 4,555 | 5,461 | 12,175 | 10,472 |
| Accounts receivable | 524,264 | 465,172 | 376,441 | 983,959 | 288,750 | 247,564 | 222,290 | 182,451 |
| Notes and loans receivable | - | - | - | - | - | - | - | 50,736 |
| Advances to other funds - current | 33,923 | 112,222 | 115,642 | 111,982 | 108,437 | 105,004 | 101,680 | - |
| Due from other governments | - | - | - | - | - | - | - | 514,960 |
| Total current assets | <u>7,242,550</u> | <u>6,462,727</u> | <u>4,332,979</u> | <u>4,229,005</u> | <u>3,090,532</u> | <u>2,096,564</u> | <u>1,508,047</u> | <u>2,411,106</u> |
| Noncurrent assets | | | | | | | | |
| Restricted cash and investments | 2,105,945 | 1,949,961 | 1,914,220 | 1,625,168 | 1,671,010 | 1,545,705 | 1,415,258 | 447,331 |
| Advances to other funds | - | 33,923 | 146,145 | 261,785 | 373,767 | 482,204 | 587,207 | - |
| Investment in joint ventures | 160,731 | 479,031 | 159,845 | 128,599 | 128,599 | 153,735 | 74,683 | 148,771 |
| Special assessments receivable deferred | 19,434 | 38,120 | 60,307 | 95,073 | 123,985 | 145,996 | 288,258 | 312,608 |
| Capital assets - land | 1,744,551 | 1,732,551 | 1,732,551 | 1,732,551 | 1,697,556 | 1,697,556 | 1,697,556 | 1,407,907 |
| Capital assets - construction in progress | 2,844,352 | 10,338,830 | 9,971,283 | 5,849,499 | 1,768,569 | 1,102,718 | 1,401,694 | 6,792,397 |
| Capital assets - depreciable, net | <u>25,039,266</u> | <u>15,834,534</u> | <u>15,586,176</u> | <u>16,889,633</u> | <u>16,785,618</u> | <u>17,876,496</u> | <u>18,553,548</u> | <u>14,168,460</u> |
| Total noncurrent assets | <u>31,914,279</u> | <u>30,406,950</u> | <u>29,570,527</u> | <u>26,582,308</u> | <u>22,549,104</u> | <u>23,004,410</u> | <u>24,018,204</u> | <u>23,277,474</u> |
| Total assets | 39,156,829 | 36,869,677 | 33,903,506 | 30,811,313 | 25,639,636 | 25,100,974 | 25,526,251 | 25,688,580 |
| Deferred outflows of resources | <u>162,521</u> | <u>225,602</u> | <u>140,227</u> | <u>215,884</u> | <u>256,023</u> | <u>176,566</u> | <u>64,694</u> | <u>66,875</u> |
| Total assets and deferred outflows | <u>\$ 39,319,350</u> | <u>\$ 37,095,279</u> | <u>\$ 34,043,733</u> | <u>\$ 31,027,197</u> | <u>\$ 25,895,659</u> | <u>\$ 25,277,540</u> | <u>\$ 25,590,945</u> | <u>\$ 25,755,455</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
GOVERNMENT WIDE FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable | \$ 286,823 | \$ 360,731 | \$ 243,504 | \$ 956,943 | \$ 304,778 | \$ 577,995 | \$ 1,066,804 | \$ 899,180 |
| Accrued payroll | 34,702 | 41,800 | 32,660 | 28,677 | 29,126 | 30,479 | 22,414 | 69,463 |
| Advances payable-current | 33,923 | 112,222 | 115,642 | 111,982 | 108,437 | 105,004 | 101,680 | - |
| Due to other governments | 39,533 | 61,563 | 83,593 | 105,623 | - | - | 58,131 | 415,619 |
| Current portion of long-term capital liabilities | 882,111 | 908,798 | 644,835 | 711,626 | 1,007,799 | 634,107 | 582,664 | 574,523 |
| Current portion of compensated balances | <u>89,476</u> | <u>88,278</u> | <u>99,876</u> | <u>77,882</u> | <u>97,524</u> | <u>90,397</u> | <u>87,713</u> | <u>86,591</u> |
| Total current liabilities | <u>1,366,568</u> | <u>1,573,392</u> | <u>1,220,110</u> | <u>1,992,733</u> | <u>1,547,664</u> | <u>1,437,982</u> | <u>1,919,406</u> | <u>2,045,376</u> |
| Noncurrent liabilities | | | | | | | | |
| Advances payable | - | 33,923 | 146,145 | 261,785 | 373,767 | 482,204 | 587,207 | - |
| Landfill closure/postclosure liability | 603,138 | 584,708 | 568,239 | 551,933 | 535,933 | 630,933 | 622,947 | 605,948 |
| Noncurrent portion of long-term liabilities | 13,868,646 | 13,505,568 | 14,167,337 | 11,971,947 | 10,869,764 | 11,136,702 | 11,105,011 | 331,560 |
| Noncurrent portion of long-term capital liabilities | - | - | - | - | - | - | - | 10,822,975 |
| Noncurrent portion of compensated balances | 38,356 | 37,604 | 36,189 | 31,187 | 46,330 | 44,459 | 45,661 | 45,422 |
| Net pension liability | <u>630,987</u> | <u>951,800</u> | <u>804,127</u> | <u>883,192</u> | <u>1,073,855</u> | <u>1,045,024</u> | <u>880,706</u> | <u>837,198</u> |
| Total noncurrent liabilities | <u>15,141,127</u> | <u>15,113,603</u> | <u>15,722,037</u> | <u>13,700,044</u> | <u>12,899,649</u> | <u>13,339,322</u> | <u>13,241,532</u> | <u>12,643,103</u> |
| Total liabilities | <u>16,507,695</u> | <u>16,686,995</u> | <u>16,942,147</u> | <u>15,692,777</u> | <u>14,447,313</u> | <u>14,777,304</u> | <u>15,160,938</u> | <u>14,688,479</u> |
| Deferred inflow of resources | <u>\$ 1,321,863</u> | <u>\$ 602,436</u> | <u>\$ 414,228</u> | <u>\$ 344,542</u> | <u>\$ 270,037</u> | <u>\$ 238,079</u> | <u>\$ 476,763</u> | <u>\$ 579,696</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
GOVERNMENT WIDE FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| NET POSITION | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 15,061,115 | \$ 13,864,712 | \$ 12,838,580 | \$ 12,212,273 | \$ 8,717,387 | \$ 9,135,377 | \$ 9,645,231 | \$ 10,971,266 |
| Restricted by donors for specific purposes | | | | | | | | |
| Restricted for capital projects | - | - | - | - | - | - | - | 12,374 |
| Restricted for debt service | 212,497 | 202,959 | 153,449 | 193,665 | 160,391 | 196,821 | 207,873 | 71,470 |
| Restricted for special projects | - | - | - | - | - | - | - | 1,235,246 |
| Restricted for other purposes | 2,596,156 | 2,648,414 | 2,580,678 | 2,442,106 | 2,827,332 | 2,433,301 | 2,690,711 | 330,455 |
| Unrestricted | <u>3,620,024</u> | <u>3,089,763</u> | <u>1,114,651</u> | <u>141,834</u> | <u>(526,801)</u> | <u>(1,503,342)</u> | <u>(2,590,571)</u> | <u>(2,133,531)</u> |
| Total net position | <u>21,489,792</u> | <u>19,805,848</u> | <u>16,687,358</u> | <u>14,989,878</u> | <u>11,178,309</u> | <u>10,262,157</u> | <u>9,953,244</u> | <u>10,487,280</u> |
| Total liabilities and net position | <u>\$ 39,319,350</u> | <u>\$ 37,095,279</u> | <u>\$ 34,043,733</u> | <u>\$ 31,027,197</u> | <u>\$ 25,895,659</u> | <u>\$ 25,277,540</u> | <u>\$ 25,590,945</u> | <u>\$ 25,755,455</u> |
| | | | | | | | | |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Total revenues | \$ 7,090,428 | \$ 7,817,590 | \$ 6,643,942 | \$ 8,611,366 | \$ 5,621,023 | \$ 5,059,421 | \$ 4,941,235 | \$ 5,612,758 |
| Total expenditures | <u>5,406,484</u> | <u>4,699,100</u> | <u>4,946,463</u> | <u>4,799,796</u> | <u>4,867,496</u> | <u>4,694,108</u> | <u>4,782,027</u> | <u>5,302,302</u> |
| Change in net position | 1,683,944 | 3,118,490 | 1,697,479 | 3,811,570 | 753,527 | 365,313 | 159,208 | 310,456 |
| Net assets beginning of the year | 19,805,848 | 16,687,358 | 14,989,879 | 11,178,308 | 10,262,157 | 9,953,244 | 10,487,280 | 11,153,815 |
| Restatements | - | - | - | - | 162,625 | (56,400) | (693,244) | (976,991) |
| Net position end of the year | <u>\$ 21,489,792</u> | <u>\$ 19,805,848</u> | <u>\$ 16,687,358</u> | <u>\$ 14,989,878</u> | <u>\$ 11,178,309</u> | <u>\$ 10,262,157</u> | <u>\$ 9,953,244</u> | <u>\$ 10,487,280</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
GOVERNMENT WIDE RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|------------------|------------------|------------------|-----------------|-----------------|------------------|------------------|
| FINANCIAL PERFORMANCE RATIOS | | | | | | | | |
| Total resource inflow | \$ 7,090,428 | \$ 7,817,590 | \$ 6,643,942 | \$ 8,611,366 | \$ 5,621,023 | \$ 5,059,421 | \$ 4,941,235 | \$ 5,612,758 |
| Total resource outflow | \$ 5,406,484 | \$ 4,699,100 | \$ 4,946,463 | \$ 4,799,796 | \$ 4,867,496 | \$ 4,694,108 | \$ 4,782,027 | \$ 5,302,302 |
| Interperiod equity margin ratio | <u>1.31</u> | <u>1.66</u> | <u>1.34</u> | <u>1.79</u> | <u>1.15</u> | <u>1.08</u> | <u>1.03</u> | <u>1.06</u> |
| Peer group average | <u>1.13</u> | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| Change in financial position net of restatements | \$ 1,683,944 | \$ 3,118,490 | \$ 1,697,479 | \$ 3,811,570 | \$ 916,152 | \$ 308,913 | \$ (534,036) | \$ (666,535) |
| Net position beginning of the year | \$ 19,805,848 | \$ 16,687,358 | \$ 14,989,879 | \$ 11,178,308 | \$ 10,262,157 | \$ 9,953,244 | \$ 10,487,280 | \$ 11,153,815 |
| Percent change in financial position | <u>8.5023 %</u> | <u>18.6877 %</u> | <u>11.3242 %</u> | <u>34.0979 %</u> | <u>8.9275 %</u> | <u>3.1036 %</u> | <u>(5.0922)%</u> | <u>(5.9758)%</u> |
| Peer group average | <u>3.0556 %</u> | | | | | | | |
| Expectation | Greater than zero | | | | | | | |
| FINANCIAL OBLIGATION | | | | | | | | |
| Debt Service | \$ 882,111 | \$ 908,798 | \$ 644,835 | \$ 711,626 | \$ 1,007,799 | \$ 634,107 | \$ 582,664 | \$ 574,523 |
| Debt service plus total expenditures | \$ 6,288,595 | \$ 5,607,898 | \$ 5,591,298 | \$ 5,511,422 | \$ 5,875,295 | \$ 5,328,215 | \$ 5,364,691 | \$ 5,876,825 |
| Debt service ratio | <u>0.1403</u> | <u>0.1621</u> | <u>0.1153</u> | <u>0.1291</u> | <u>0.1715</u> | <u>0.1190</u> | <u>0.1086</u> | <u>0.0978</u> |
| Peer group average | <u>0.1306</u> | | | | | | | |
| Expectation | 0.5 or lower | | | | | | | |
| LIQUIDITY | | | | | | | | |
| Cash plus investments plus accounts receivable | \$ 7,207,634 | \$ 6,347,615 | \$ 4,210,850 | \$ 4,110,125 | \$ 2,977,540 | \$ 1,986,099 | \$ 1,394,192 | \$ 1,834,938 |
| Total current liabilities | \$ 1,366,568 | \$ 1,573,392 | \$ 1,220,110 | \$ 1,992,733 | \$ 1,547,664 | \$ 1,437,982 | \$ 1,919,406 | \$ 2,045,376 |
| Quick ratio | <u>5.2743</u> | <u>4.0344</u> | <u>3.4512</u> | <u>2.0626</u> | <u>1.9239</u> | <u>1.3812</u> | <u>0.7264</u> | <u>0.8971</u> |
| Peer group average | <u>5.3840</u> | | | | | | | |
| Expectation | 1.5 or higher | | | | | | | |
| Total current assets | \$ 7,242,550 | \$ 6,462,727 | \$ 4,332,979 | \$ 4,229,005 | \$ 3,090,532 | \$ 2,096,564 | \$ 1,508,047 | \$ 2,411,106 |
| Total current liabilities | \$ 1,366,568 | \$ 1,573,392 | \$ 1,220,110 | \$ 1,992,733 | \$ 1,547,664 | \$ 1,437,982 | \$ 1,919,406 | \$ 2,045,376 |
| Current ratio | <u>5.2998</u> | <u>4.1075</u> | <u>3.5513</u> | <u>2.1222</u> | <u>1.9969</u> | <u>1.4580</u> | <u>0.7857</u> | <u>1.1788</u> |
| Peer group average | <u>5.7370</u> | | | | | | | |
| Expectation | 2 or higher | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
GOVERNMENT WIDE RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| SOLVENCY | | | | | | | | |
| Unrestricted net position | \$ 3,620,024 | \$ 3,089,763 | \$ 1,114,651 | \$ 141,834 | \$ (526,801) | \$ (1,503,342) | \$ (2,590,571) | \$ (2,133,531) |
| Total liabilities | <u>\$ 16,507,695</u> | <u>\$ 16,686,995</u> | <u>\$ 16,942,147</u> | <u>\$ 15,692,777</u> | <u>\$ 14,447,313</u> | <u>\$ 14,777,304</u> | <u>\$ 15,160,938</u> | <u>\$ 14,688,479</u> |
| Net position ratio | <u>0.2193</u> | <u>0.1852</u> | <u>0.0658</u> | <u>0.0090</u> | <u>(0.0365)</u> | <u>(0.1017)</u> | <u>(0.1709)</u> | <u>(0.1453)</u> |
| Peer group average | <u>0.3783</u> | | | | | | | |
| Expectation | 1.0000 | | | | | | | |
| LEVERAGE | | | | | | | | |
| Long-term debt | \$ 14,471,784 | \$ 14,090,276 | \$ 14,735,576 | \$ 12,523,880 | \$ 11,405,697 | \$ 11,767,635 | \$ 11,727,958 | \$ 11,760,483 |
| Total assets | <u>\$ 39,156,829</u> | <u>\$ 36,869,677</u> | <u>\$ 33,903,506</u> | <u>\$ 30,811,313</u> | <u>\$ 25,639,636</u> | <u>\$ 25,100,974</u> | <u>\$ 25,526,251</u> | <u>\$ 25,688,580</u> |
| Debt-to-assets ratio | <u>0.3696</u> | <u>0.3822</u> | <u>0.4346</u> | <u>0.4065</u> | <u>0.4448</u> | <u>0.4688</u> | <u>0.4594</u> | <u>0.4578</u> |
| Peer group average | <u>0.4487</u> | | | | | | | |
| Expectation | Zero to 0.4 | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
GENERAL FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and investments | \$ 1,362,342 | \$ 1,154,439 | \$ 841,447 | \$ 508,380 | \$ 325,258 | \$ - | \$ - | \$ 425,859 |
| Taxes and assessments receivable | 208,486 | 212,831 | 228,841 | 186,333 | 172,763 | 116,795 | 74,320 | 79,349 |
| Due from other funds | - | - | - | - | - | - | - | 132,923 |
| Due from other governments | - | - | - | - | - | - | - | 102,833 |
| Total current assets | <u>1,570,828</u> | <u>1,367,270</u> | <u>1,070,288</u> | <u>694,713</u> | <u>498,021</u> | <u>116,795</u> | <u>74,320</u> | <u>740,964</u> |
| Noncurrent assets | | | | | | | | |
| Restricted cash and investments | 671,805 | 586,575 | 506,111 | 492,658 | 368,749 | 277,594 | 186,249 | 93,376 |
| Advance to other funds | - | - | - | - | - | - | - | 22,641 |
| Investment in joint ventures | <u>48,806</u> | <u>144,296</u> | <u>48,540</u> | <u>44,080</u> | <u>44,080</u> | <u>51,621</u> | <u>27,906</u> | <u>50,243</u> |
| Total noncurrent assets | <u>720,611</u> | <u>730,871</u> | <u>554,651</u> | <u>536,738</u> | <u>412,829</u> | <u>329,215</u> | <u>214,155</u> | <u>166,260</u> |
| Total assets | <u>\$ 2,291,439</u> | <u>\$ 2,098,141</u> | <u>\$ 1,624,939</u> | <u>\$ 1,231,451</u> | <u>\$ 910,850</u> | <u>\$ 446,010</u> | <u>\$ 288,475</u> | <u>\$ 907,224</u> |
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable | \$ 117,271 | \$ 68,502 | \$ 99,852 | \$ 140,548 | \$ 133,031 | \$ 92,908 | \$ 81,111 | \$ - |
| Accrued payroll | 11,584 | 17,541 | 11,322 | 9,232 | 8,885 | 9,917 | 8,529 | 18,604 |
| Advances payable | - | 79,366 | 83,821 | 81,162 | 78,587 | 76,094 | - | - |
| Due to other governments | 39,533 | 61,563 | 83,593 | 105,623 | - | - | - | 31,394 |
| Due to other funds | - | - | - | - | - | 31,375 | 364,433 | 1,093,876 |
| Total current liabilities | <u>168,388</u> | <u>226,972</u> | <u>278,588</u> | <u>336,565</u> | <u>220,503</u> | <u>210,294</u> | <u>454,073</u> | <u>1,143,874</u> |
| Noncurrent liabilities | | | | | | | | |
| Advances payable | - | - | 79,366 | 163,186 | 244,348 | 322,935 | 472,709 | 625,588 |
| Total noncurrent liabilities | <u>-</u> | <u>-</u> | <u>79,366</u> | <u>163,186</u> | <u>244,348</u> | <u>322,935</u> | <u>472,709</u> | <u>625,588</u> |
| Total liabilities | <u>168,388</u> | <u>226,972</u> | <u>357,954</u> | <u>499,751</u> | <u>464,851</u> | <u>533,229</u> | <u>926,782</u> | <u>1,769,462</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | | | | |
| Taxes | <u>208,486</u> | <u>212,831</u> | <u>228,841</u> | <u>186,333</u> | <u>172,763</u> | <u>116,795</u> | <u>74,320</u> | <u>79,349</u> |
| Total deferred inflows of resources | <u>\$ 208,486</u> | <u>\$ 212,831</u> | <u>\$ 228,841</u> | <u>\$ 186,333</u> | <u>\$ 172,763</u> | <u>\$ 116,795</u> | <u>\$ 74,320</u> | <u>\$ 79,349</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
GENERAL FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| FUND BALANCE | | | | | | | | |
| Restricted for: | | | | | | | | |
| Public works | \$ 671,805 | \$ 586,575 | \$ 506,111 | \$ 492,658 | \$ 368,749 | \$ 277,594 | \$ 186,249 | \$ 93,376 |
| Total restricted | <u>671,805</u> | <u>586,575</u> | <u>506,111</u> | <u>492,658</u> | <u>368,749</u> | <u>277,594</u> | <u>186,249</u> | <u>93,376</u> |
| Unassigned fund balance | <u>1,242,760</u> | <u>1,071,763</u> | <u>532,033</u> | <u>52,709</u> | <u>(95,513)</u> | <u>(481,608)</u> | <u>(898,876)</u> | <u>(1,034,963)</u> |
| Total fund balance | <u>1,914,565</u> | <u>1,658,338</u> | <u>1,038,144</u> | <u>545,367</u> | <u>273,236</u> | <u>(204,014)</u> | <u>(712,627)</u> | <u>(941,587)</u> |
| Total liability and fund balance | <u>\$ 2,291,439</u> | <u>\$ 2,098,141</u> | <u>\$ 1,624,939</u> | <u>\$ 1,231,451</u> | <u>\$ 910,850</u> | <u>\$ 446,010</u> | <u>\$ 288,475</u> | <u>\$ 907,224</u> |
| | | | | | | | | |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Revenues | \$ 1,797,426 | \$ 1,832,335 | \$ 1,669,328 | \$ 1,809,056 | \$ 1,744,438 | \$ 1,639,979 | \$ 1,661,765 | \$ 1,904,671 |
| Expenditures | <u>1,561,004</u> | <u>1,308,700</u> | <u>1,488,456</u> | <u>1,498,033</u> | <u>1,327,538</u> | <u>1,304,514</u> | <u>1,450,713</u> | <u>1,579,859</u> |
| Excess (deficiency) revenues over expenses | 236,422 | 523,635 | 180,872 | 311,023 | 416,900 | 335,465 | 211,052 | 324,812 |
| Other financing sources | <u>19,805</u> | <u>96,559</u> | <u>311,905</u> | <u>(38,892)</u> | <u>60,350</u> | <u>229,548</u> | <u>116,573</u> | <u>4,484</u> |
| Net change in fund balance | 256,227 | 620,194 | 492,777 | 272,131 | 477,250 | 565,013 | 327,625 | 329,296 |
| Restatements | - | - | - | - | - | (56,400) | (98,665) | (284) |
| Beginning fund balance | <u>1,658,338</u> | <u>1,038,144</u> | <u>545,367</u> | <u>273,236</u> | <u>(204,014)</u> | <u>(712,627)</u> | <u>(941,587)</u> | <u>(1,270,599)</u> |
| Ending fund balance | <u>\$ 1,914,565</u> | <u>\$ 1,658,338</u> | <u>\$ 1,038,144</u> | <u>\$ 545,367</u> | <u>\$ 273,236</u> | <u>\$ (204,014)</u> | <u>\$ (712,627)</u> | <u>\$ (941,587)</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
GENERAL FUND RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| FINANCIAL PERFORMANCE RATIOS | | | | | | | | |
| Total resource inflow | \$ 1,797,426 | \$ 1,832,335 | \$ 1,669,328 | \$ 1,809,056 | \$ 1,744,438 | \$ 1,639,979 | \$ 1,661,765 | \$ 1,904,671 |
| Total resource outflow | \$ 1,561,004 | \$ 1,308,700 | \$ 1,488,456 | \$ 1,498,033 | \$ 1,327,538 | \$ 1,304,514 | \$ 1,450,713 | \$ 1,579,859 |
| Interperiod Equity margin Ratio | <u>1.1515</u> | <u>1.4001</u> | <u>1.1215</u> | <u>1.2076</u> | <u>1.3140</u> | <u>1.2572</u> | <u>1.1455</u> | <u>1.2056</u> |
| Peer group average | <u>1.0200</u> | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| Change in fund balance net of restatements | \$ 256,227 | \$ 620,194 | \$ 492,777 | \$ 272,131 | \$ 477,250 | \$ 508,613 | \$ 228,960 | \$ 329,012 |
| Net position beginning of the year | \$ 1,658,338 | \$ 1,038,144 | \$ 545,367 | \$ 273,236 | \$ (204,014) | \$ (712,627) | \$ (941,587) | \$ (1,270,599) |
| Percent change in fund balance | <u>15.4508 %</u> | <u>59.7407 %</u> | <u>90.3570 %</u> | <u>99.5956 %</u> | <u>233.9300 %</u> | <u>71.3716 %</u> | <u>24.3164 %</u> | <u>25.8942 %</u> |
| Peer group average | <u>9.8190 %</u> | | | | | | | |
| Expectation | Greater than zero | | | | | | | |
| LIQUIDITY | | | | | | | | |
| Cash plus investments plus accounts receivable | \$ 1,570,828 | \$ 1,367,270 | \$ 1,070,288 | \$ 694,713 | \$ 498,021 | \$ 116,795 | \$ 74,320 | \$ 505,208 |
| Total current liabilities | \$ 168,388 | \$ 226,972 | \$ 278,588 | \$ 336,565 | \$ 220,503 | \$ 210,294 | \$ 454,073 | \$ 1,143,874 |
| Quick ratio | <u>9.3286</u> | <u>6.0240</u> | <u>3.8418</u> | <u>2.0641</u> | <u>2.2586</u> | <u>0.5554</u> | <u>0.1637</u> | <u>0.4417</u> |
| Peer group average | <u>23.5655</u> | | | | | | | |
| Expectation | 1.5 or higher | | | | | | | |
| Total current assets | \$ 1,570,828 | \$ 1,367,270 | \$ 1,070,288 | \$ 694,713 | \$ 498,021 | \$ 116,795 | \$ 74,320 | \$ 740,964 |
| Total current liabilities | \$ 168,388 | \$ 226,972 | \$ 278,588 | \$ 336,565 | \$ 220,503 | \$ 210,294 | \$ 454,073 | \$ 1,143,874 |
| Current ratio | <u>9.3286</u> | <u>6.0240</u> | <u>3.8418</u> | <u>2.0641</u> | <u>2.2586</u> | <u>0.5554</u> | <u>0.1637</u> | <u>0.6478</u> |
| Peer group average | <u>32.3211</u> | | | | | | | |
| Expectation | 2.0 or higher | | | | | | | |
| SOLVENCY | | | | | | | | |
| Unrestricted net position | \$ 1,242,760 | \$ 1,071,763 | \$ 532,033 | \$ 52,709 | \$ (95,513) | \$ (481,608) | \$ (898,876) | \$ (1,034,963) |
| Total liabilities | \$ 168,388 | \$ 226,972 | \$ 357,954 | \$ 499,751 | \$ 464,851 | \$ 533,229 | \$ 926,782 | \$ 1,769,462 |
| Net fund balance ratio | <u>7.3803</u> | <u>4.7220</u> | <u>1.4863</u> | <u>0.1055</u> | <u>(0.2055)</u> | <u>(0.9032)</u> | <u>(0.9699)</u> | <u>(0.5849)</u> |
| Peer group average | <u>20.8310</u> | | | | | | | |
| Expectation | 1.0000 | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
OTHER GOVERNMENT FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and investments | \$ 1,935,763 | \$ 1,728,526 | \$ 1,190,706 | \$ 1,320,039 | \$ 1,495,701 | \$ 1,067,831 | \$ 906,583 | \$ 865,109 |
| Taxes and assessments receivable | 236,498 | 264,545 | 277,084 | 187,390 | 157,623 | 162,612 | 155,512 | 254,362 |
| Special assessments receivable deferred | 993 | 2,890 | 6,487 | 6,898 | 4,555 | - | - | - |
| Notes and loans receivable | 4,500 | 10,798 | 17,354 | 23,406 | 29,459 | 38,059 | 47,198 | 50,736 |
| Due from other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,633</u> | <u>94,848</u> | <u>276,152</u> | <u>388,256</u> | <u>54,767</u> |
| Total current assets | <u>2,177,754</u> | <u>2,006,759</u> | <u>1,491,631</u> | <u>1,548,366</u> | <u>1,782,186</u> | <u>1,544,654</u> | <u>1,497,549</u> | <u>1,224,974</u> |
| Noncurrent assets | | | | | | | | |
| Restricted cash and investments | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 47,000 | 23,500 |
| Advances to other funds | 33,923 | 66,779 | 98,600 | 129,419 | 159,269 | 159,269 | 216,178 | 292,376 |
| Special assessments | <u>19,434</u> | <u>38,120</u> | <u>60,307</u> | <u>95,073</u> | <u>123,985</u> | <u>145,996</u> | <u>300,433</u> | <u>312,608</u> |
| Total noncurrent assets | <u>100,357</u> | <u>151,899</u> | <u>205,907</u> | <u>271,492</u> | <u>330,254</u> | <u>352,265</u> | <u>563,611</u> | <u>628,484</u> |
| Total assets | <u>\$ 2,278,111</u> | <u>\$ 2,158,658</u> | <u>\$ 1,697,538</u> | <u>\$ 1,819,858</u> | <u>\$ 2,112,440</u> | <u>\$ 1,896,919</u> | <u>\$ 2,061,160</u> | <u>\$ 1,853,458</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
OTHER GOVERNMENT FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable | \$ 6,533 | \$ 26,140 | \$ 5,683 | \$ 6,048 | \$ 5,181 | \$ 8,333 | \$ 4,116 | \$ 58,108 |
| Accrued payroll | 378 | 349 | 340 | 319 | 413 | 394 | 173 | - |
| Due to other governments | - | - | - | - | - | - | (128) | - |
| Due to other funds | - | - | - | 10,634 | 88,202 | 83,061 | 224,563 | 93,509 |
| Total current liabilities | <u>6,911</u> | <u>26,489</u> | <u>6,023</u> | <u>17,001</u> | <u>93,796</u> | <u>91,788</u> | <u>228,724</u> | <u>151,617</u> |
| Noncurrent liabilities | | | | | | | | |
| Advances payable | - | - | - | - | - | - | - | 170,539 |
| Total noncurrent liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>170,539</u> |
| Total liabilities | <u>6,911</u> | <u>26,489</u> | <u>6,023</u> | <u>17,001</u> | <u>93,796</u> | <u>91,788</u> | <u>228,724</u> | <u>322,156</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | | | | |
| Taxes | 237,490 | 267,435 | 277,084 | 194,288 | 162,178 | 162,612 | 236,279 | 243,890 |
| Assessments | 19,434 | 38,120 | 66,793 | 95,073 | 123,985 | 145,996 | 219,666 | 323,080 |
| Loans | 4,500 | 10,798 | 17,354 | 23,406 | 29,459 | 38,059 | 47,198 | 50,736 |
| Grants | <u>774,516</u> | <u>386,097</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>1,035,940</u> | <u>702,450</u> | <u>361,231</u> | <u>312,767</u> | <u>315,622</u> | <u>346,667</u> | <u>503,143</u> | <u>617,706</u> |
| FUND BALANCES | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | 212,497 | 202,959 | 153,449 | 193,665 | 160,391 | 196,821 | 207,873 | 58,928 |
| General government | 57,703 | 156,449 | 193,319 | 127,125 | 104,012 | 118,788 | 392,868 | 360,917 |
| Public safety | 35,555 | 30,356 | 25,208 | 20,097 | 15,040 | 9,995 | 9,384 | 4,160 |
| Public works | 648,158 | 734,148 | 614,044 | 732,814 | 1,064,718 | 824,684 | 593,249 | 350,459 |
| Culture and recreation | 53,184 | 88,652 | 71,448 | 99,311 | 117,963 | 85,899 | 72,474 | 191,913 |
| Housing and community development | <u>228,163</u> | <u>217,155</u> | <u>272,816</u> | <u>317,078</u> | <u>305,599</u> | <u>281,836</u> | <u>254,508</u> | <u>197,011</u> |
| Total restricted | <u>1,235,260</u> | <u>1,429,719</u> | <u>1,330,284</u> | <u>1,490,090</u> | <u>1,767,723</u> | <u>1,518,023</u> | <u>1,530,356</u> | <u>1,163,388</u> |
| Unassigned fund balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(64,701)</u> | <u>(59,559)</u> | <u>(201,063)</u> | <u>(249,792)</u> |
| Total fund balance | <u>1,235,260</u> | <u>1,429,719</u> | <u>1,330,284</u> | <u>1,490,090</u> | <u>1,703,022</u> | <u>1,458,464</u> | <u>1,329,293</u> | <u>913,596</u> |
| Total liabilities and fund balance | <u>\$ 2,278,111</u> | <u>\$ 2,158,658</u> | <u>\$ 1,697,538</u> | <u>\$ 1,819,858</u> | <u>\$ 2,112,440</u> | <u>\$ 1,896,919</u> | <u>\$ 2,061,160</u> | <u>\$ 1,853,458</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
OTHER GOVERNMENT FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Revenues | \$ 802,282 | \$ 912,142 | \$ 823,797 | \$ 757,806 | \$ 767,215 | \$ 861,913 | \$ 940,228 | \$ 937,226 |
| Expenditures | <u>966,338</u> | <u>697,707</u> | <u>945,603</u> | <u>1,009,630</u> | <u>462,307</u> | <u>503,194</u> | <u>423,058</u> | <u>533,735</u> |
| Excess (deficient) revenues over expenditures | (164,056) | 214,435 | (121,806) | (251,824) | 304,908 | 358,719 | 517,170 | 403,491 |
| Other financing sources | <u>(30,403)</u> | <u>(115,000)</u> | <u>(38,000)</u> | <u>38,892</u> | <u>(60,350)</u> | <u>(229,548)</u> | <u>(116,573)</u> | <u>(124,484)</u> |
| Net change in fund balance | (194,459) | 99,435 | (159,806) | (212,932) | 244,558 | 129,171 | 400,597 | 279,007 |
| Beginning fund balance | 1,429,719 | 1,330,284 | 1,490,090 | 1,703,022 | 1,458,464 | 1,329,293 | 913,596 | 644,468 |
| Restatement | - | - | - | - | - | - | 15,100 | (9,879) |
| Ending fund balance | <u>\$ 1,235,260</u> | <u>\$ 1,429,719</u> | <u>\$ 1,330,284</u> | <u>\$ 1,490,090</u> | <u>\$ 1,703,022</u> | <u>\$ 1,458,464</u> | <u>\$ 1,329,293</u> | <u>\$ 913,596</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
OTHER GOVERNMENTAL FUND RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|-----------------|-------------------|-------------------|------------------|-----------------|------------------|------------------|
| FINANCIAL PERFORMANCE RATIOS | | | | | | | | |
| Total resource inflow | \$ 802,282 | \$ 912,142 | \$ 823,797 | \$ 757,806 | \$ 767,215 | \$ 861,913 | \$ 940,228 | \$ 937,226 |
| Total resource outflow | \$ 966,338 | \$ 697,707 | \$ 945,603 | \$ 1,009,630 | \$ 462,307 | \$ 503,194 | \$ 423,058 | \$ 533,735 |
| Interperiod equity margin ratio | <u>0.8302</u> | <u>1.3073</u> | <u>0.8712</u> | <u>0.7506</u> | <u>1.6595</u> | <u>1.7129</u> | <u>2.2225</u> | <u>1.7560</u> |
| Peer group average | <u>1.0495</u> | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| Change in financial position net of restatements | \$ (194,459) | \$ 99,435 | \$ (159,806) | \$ (212,932) | \$ 244,558 | \$ 129,171 | \$ 415,697 | \$ 269,128 |
| Net position beginning of the year | \$ 1,429,719 | \$ 1,330,284 | \$ 1,490,090 | \$ 1,703,022 | \$ 1,458,464 | \$ 1,329,293 | \$ 913,596 | \$ 644,468 |
| Percent change in financial position | <u>(13.6012)%</u> | <u>7.4747 %</u> | <u>(10.7246)%</u> | <u>(12.5032)%</u> | <u>16.7682 %</u> | <u>9.7173 %</u> | <u>45.5012 %</u> | <u>41.7597 %</u> |
| Peer group average | <u>3.9950 %</u> | | | | | | | |
| Expectation | Greater than zero | | | | | | | |
| LIQUIDITY | | | | | | | | |
| Cash plus investments plus accounts receivable | \$ 2,172,261 | \$ 1,993,071 | \$ 1,467,790 | \$ 1,507,429 | \$ 1,653,324 | \$ 1,230,443 | \$ 1,062,095 | \$ 1,119,471 |
| Total current liabilities | \$ 6,911 | \$ 26,489 | \$ 6,023 | \$ 17,001 | \$ 93,796 | \$ 91,788 | \$ 228,724 | \$ 151,617 |
| Quick ratio | <u>314.3193</u> | <u>75.2415</u> | <u>243.6975</u> | <u>88.6671</u> | <u>17.6268</u> | <u>13.4053</u> | <u>4.6436</u> | <u>7.3835</u> |
| Peer group average | <u>14.3099</u> | | | | | | | |
| Expectation | 1.5 or higher | | | | | | | |
| Total current assets | \$ 2,177,754 | \$ 2,006,759 | \$ 1,491,631 | \$ 1,548,366 | \$ 1,782,186 | \$ 1,544,654 | \$ 1,497,549 | \$ 1,224,974 |
| Total current liabilities | \$ 6,911 | \$ 26,489 | \$ 6,023 | \$ 17,001 | \$ 93,796 | \$ 91,788 | \$ 228,724 | \$ 151,617 |
| Current ratio | <u>315.1142</u> | <u>75.7582</u> | <u>247.6558</u> | <u>91.0750</u> | <u>19.0007</u> | <u>16.8285</u> | <u>6.5474</u> | <u>8.0794</u> |
| Peer group average | <u>14.5198</u> | | | | | | | |
| Expectation | 2.0 or higher | | | | | | | |
| SOLVENCY | | | | | | | | |
| Net position | \$ 1,235,260 | \$ 1,429,719 | \$ 1,330,284 | \$ 1,490,090 | \$ 1,703,022 | \$ 1,458,464 | \$ 1,329,293 | \$ 913,596 |
| Total liabilities | \$ 6,911 | \$ 26,489 | \$ 6,023 | \$ 17,001 | \$ 93,796 | \$ 91,788 | \$ 228,724 | \$ 322,156 |
| Net position ratio | <u>178.7382</u> | <u>53.9741</u> | <u>220.8673</u> | <u>87.6472</u> | <u>18.1567</u> | <u>15.8895</u> | <u>5.8118</u> | <u>2.8359</u> |
| Peer group average | <u>12.0630</u> | | | | | | | |
| Expectation | 1.0000 | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
WATER FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and investments | \$ 1,023,723 | \$ 1,017,285 | \$ 370,123 | \$ 206,090 | \$ 120,074 | \$ 279,986 | \$ 24,102 | \$ 19,134 |
| Accounts receivable | 134,240 | 125,769 | 119,708 | 461,856 | 114,704 | 87,422 | 76,419 | 81,402 |
| Due from other funds | - | - | - | - | - | - | 279,875 | 550,047 |
| Due form other governments | - | - | - | - | - | - | - | 357,360 |
| Total current assets | <u>1,157,963</u> | <u>1,143,054</u> | <u>489,831</u> | <u>667,946</u> | <u>234,778</u> | <u>367,408</u> | <u>380,396</u> | <u>1,007,943</u> |
| Noncurrent assets | | | | | | | | |
| Restricted cash and investments | 377,664 | 375,110 | 423,705 | 402,926 | 576,926 | 576,926 | 576,926 | - |
| Advances to other funds | - | - | - | - | - | - | - | 202,878 |
| Investment in joint ventures | 29,073 | 86,367 | 28,914 | 22,026 | 22,026 | 26,550 | 12,321 | 26,646 |
| Capital assets-land | 252,537 | 252,537 | 252,537 | 252,537 | 217,542 | 217,542 | 217,543 | 217,543 |
| Capital assets-construction in progress | 2,606,594 | 1,307,776 | 1,368,510 | 703,162 | 63,497 | 50,638 | 47,022 | 3,225,031 |
| Capital assets-depreciable, net | <u>6,533,650</u> | <u>6,620,829</u> | <u>6,098,161</u> | <u>6,518,977</u> | <u>6,941,722</u> | <u>7,367,527</u> | <u>7,808,750</u> | <u>4,931,318</u> |
| Total noncurrent assets | <u>9,799,518</u> | <u>8,642,619</u> | <u>8,171,827</u> | <u>7,899,628</u> | <u>7,821,713</u> | <u>8,239,183</u> | <u>8,662,562</u> | <u>8,603,416</u> |
| Total assets | <u>10,957,481</u> | <u>9,785,673</u> | <u>8,661,658</u> | <u>8,567,574</u> | <u>8,056,491</u> | <u>8,606,591</u> | <u>9,042,958</u> | <u>9,611,359</u> |
| Deferred outflows of resources | <u>39,823</u> | <u>53,820</u> | <u>33,970</u> | <u>53,949</u> | <u>62,132</u> | <u>41,618</u> | <u>16,473</u> | <u>16,237</u> |
| Total assets and deferred outflows | <u>\$10,997,304</u> | <u>\$ 9,839,493</u> | <u>\$ 8,695,628</u> | <u>\$ 8,621,523</u> | <u>\$ 8,118,623</u> | <u>\$ 8,648,209</u> | <u>\$ 9,059,431</u> | <u>\$ 9,627,596</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
WATER FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable | \$ 56,705 | \$ 215,356 | \$ 90,042 | \$ 424,850 | \$ 92,282 | \$ 79,652 | \$ 81,842 | \$ - |
| Accrued payroll | 7,178 | 7,773 | 6,853 | 6,214 | 6,455 | 6,500 | 3,844 | 16,831 |
| Due to other funds | - | - | - | - | - | - | 37,286 | 69,960 |
| Current portion of long-term capital liabilities | 174,438 | 188,394 | 167,419 | 196,511 | 354,668 | 318,662 | 287,000 | 278,000 |
| Current portion of compensated balances | <u>22,409</u> | <u>20,530</u> | <u>23,995</u> | <u>18,702</u> | <u>23,747</u> | <u>21,892</u> | <u>19,492</u> | <u>27,378</u> |
| Total current liabilities | <u>260,730</u> | <u>432,053</u> | <u>288,309</u> | <u>646,277</u> | <u>477,152</u> | <u>426,706</u> | <u>429,464</u> | <u>392,169</u> |
| Noncurrent liabilities | | | | | | | | |
| Noncurrent portion of long-term liabilities | 55,111 | 111,949 | 108,223 | 127,249 | 102,962 | 108,020 | 97,417 | 60,309 |
| Noncurrent portion of long-term capital liabilities | 4,563,945 | 4,138,095 | 4,199,775 | 4,365,513 | 6,032,760 | 6,386,838 | 6,705,500 | 6,992,500 |
| Noncurrent portion of compensated balances | 9,558 | 8,610 | 8,510 | 7,496 | 12,242 | 11,413 | 11,228 | 13,871 |
| Net pension liability | <u>154,616</u> | <u>224,821</u> | <u>192,824</u> | <u>216,379</u> | <u>258,364</u> | <u>246,322</u> | <u>213,912</u> | <u>203,280</u> |
| Total noncurrent liabilities | <u>4,783,230</u> | <u>4,483,475</u> | <u>4,509,332</u> | <u>4,716,637</u> | <u>6,406,328</u> | <u>6,752,593</u> | <u>7,028,057</u> | <u>7,269,960</u> |
| Total liabilities | <u>5,043,960</u> | <u>4,915,528</u> | <u>4,797,641</u> | <u>5,362,914</u> | <u>6,883,480</u> | <u>7,179,299</u> | <u>7,457,521</u> | <u>7,662,129</u> |
| DEFERRED INFLOW OF resources | | | | | | | | |
| Deferred inflow of resources | <u>140,799</u> | <u>41,650</u> | <u>86,186</u> | <u>55,384</u> | <u>28,517</u> | <u>12,734</u> | <u>31,219</u> | <u>52,532</u> |
| Total deferred inflows of resources | <u>\$ 140,799</u> | <u>\$ 41,650</u> | <u>\$ 86,186</u> | <u>\$ 55,384</u> | <u>\$ 28,517</u> | <u>\$ 12,734</u> | <u>\$ 31,219</u> | <u>\$ 52,532</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
WATER FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| NET POSITION | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 4,654,398 | \$ 3,854,653 | \$ 3,352,014 | \$ 2,912,652 | \$ 835,333 | \$ 930,207 | \$ 1,080,815 | \$ 1,103,392 |
| Restricted for capital projects | 377,664 | 375,110 | 423,705 | 402,926 | 576,926 | 576,926 | 576,926 | - |
| Unrestricted | <u>780,483</u> | <u>652,552</u> | <u>36,082</u> | <u>(112,353)</u> | <u>(205,633)</u> | <u>(50,957)</u> | <u>(87,050)</u> | <u>809,543</u> |
| Total net position | <u>5,812,545</u> | <u>4,882,315</u> | <u>3,811,801</u> | <u>3,203,225</u> | <u>1,206,626</u> | <u>1,456,176</u> | <u>1,570,691</u> | <u>1,912,935</u> |
| Total liabilities and net position | <u>\$ 10,997,304</u> | <u>\$ 9,839,493</u> | <u>\$ 8,695,628</u> | <u>\$ 8,621,523</u> | <u>\$ 8,118,623</u> | <u>\$ 8,648,209</u> | <u>\$ 9,059,431</u> | <u>\$ 9,627,596</u> |
| | | | | | | | | |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Revenues | \$ 1,499,412 | \$ 1,401,377 | \$ 1,385,950 | \$ 1,378,779 | \$ 1,042,130 | \$ 1,063,138 | \$ 996,688 | \$ 1,058,193 |
| Operating expenses | <u>1,197,614</u> | <u>1,084,423</u> | <u>1,151,998</u> | <u>1,056,793</u> | <u>1,109,322</u> | <u>1,070,899</u> | <u>1,219,089</u> | <u>997,466</u> |
| Operating income | 301,798 | 316,954 | 233,952 | 321,986 | (67,192) | (7,761) | (222,401) | 60,727 |
| Nonoperating revenues (expenses) | 628,432 | 753,560 | 374,624 | 419,356 | (199,945) | (106,754) | 47,130 | (196,354) |
| Transfers in (out) | - | - | - | - | - | - | - | 60,000 |
| Special and extraordinary items | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,255,257</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(622)</u> |
| Change in net position | 930,230 | 1,070,514 | 608,576 | 1,996,599 | (267,137) | (114,515) | (175,271) | (76,249) |
| Net position beginning of year | 4,882,315 | 3,811,801 | 3,203,225 | 1,206,626 | 1,456,176 | 1,570,691 | 1,912,935 | 2,206,223 |
| Restatements | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,587</u> | <u>-</u> | <u>(166,973)</u> | <u>(217,039)</u> |
| Net position end of year | <u>\$ 5,812,545</u> | <u>\$ 4,882,315</u> | <u>\$ 3,811,801</u> | <u>\$ 3,203,225</u> | <u>\$ 1,206,626</u> | <u>\$ 1,456,176</u> | <u>\$ 1,570,691</u> | <u>\$ 1,912,935</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
WATER FUND FINANCIAL RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| FINANCIAL PERFORMANCE | | | | | | | | |
| Total resources inflow | \$ 1,499,412 | \$ 1,401,377 | \$ 1,385,950 | \$ 1,378,779 | \$ 1,042,130 | \$ 1,063,138 | \$ 996,688 | \$ 1,058,193 |
| Total resources outflow | \$ 1,197,614 | \$ 1,084,423 | \$ 1,151,998 | \$ 1,056,793 | \$ 1,109,322 | \$ 1,070,899 | \$ 1,219,089 | \$ 997,466 |
| Interperiod equity margin ratio (operating) | <u>1.2520</u> | <u>1.2923</u> | <u>1.2031</u> | <u>1.3047</u> | <u>0.9394</u> | <u>0.9928</u> | <u>0.8176</u> | <u>1.0609</u> |
| Peer group average | 0.9743 | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| Change in net position | \$ 930,230 | \$ 1,070,514 | \$ 608,576 | \$ 1,996,599 | \$ (249,550) | \$ (114,515) | \$ (342,244) | \$ (293,288) |
| Net position beginning of the year | \$ 4,882,315 | \$ 3,811,801 | \$ 3,203,225 | \$ 1,206,626 | \$ 1,456,176 | \$ 1,570,691 | \$ 1,912,935 | \$ 2,206,223 |
| Percent change in net position net of restatements | <u>19.0531 %</u> | <u>28.0842 %</u> | <u>18.9989 %</u> | <u>165.4696 %</u> | <u>(17.1374)%</u> | <u>(7.2907)%</u> | <u>(17.8910)%</u> | <u>(13.2937)%</u> |
| Peer group average | 3.0475 % | | | | | | | |
| Expectation | Greater than zero | | | | | | | |
| SELF-SUFFICIENCY | | | | | | | | |
| Charges for services | \$ 1,499,412 | \$ 1,401,377 | \$ 1,385,950 | \$ 1,378,779 | \$ 1,042,130 | \$ 1,063,138 | \$ 996,688 | \$ 1,058,193 |
| Total expenses | \$ 1,197,614 | \$ 1,084,423 | \$ 1,151,998 | \$ 1,056,793 | \$ 1,109,322 | \$ 1,070,899 | \$ 1,219,089 | \$ 997,466 |
| Charge for services to expense ratio | <u>1.2520</u> | <u>1.2923</u> | <u>1.2031</u> | <u>1.3047</u> | <u>0.9394</u> | <u>0.9928</u> | <u>0.8176</u> | <u>1.0609</u> |
| Peer group average | 0.9743 | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| FINANCIAL OBLIGATION | | | | | | | | |
| Debt service | \$ 174,438 | \$ 188,394 | \$ 167,419 | \$ 196,511 | \$ 354,668 | \$ 318,662 | \$ 287,000 | \$ 278,000 |
| Total expenses plus debt service | \$ 1,372,052 | \$ 1,272,817 | \$ 1,319,417 | \$ 1,253,304 | \$ 1,463,990 | \$ 1,389,561 | \$ 1,506,089 | \$ 1,275,466 |
| Debt service ratio | <u>0.1271</u> | <u>0.1480</u> | <u>0.1269</u> | <u>0.1568</u> | <u>0.2423</u> | <u>0.2293</u> | <u>0.1906</u> | <u>0.2180</u> |
| Peer group average | 0.0075 | | | | | | | |
| Expectation | 0.5 or lower | | | | | | | |
| LIQUIDITY | | | | | | | | |
| Cash & investments & Accounts receivable | \$ 1,157,963 | \$ 1,143,054 | \$ 489,831 | \$ 667,946 | \$ 234,778 | \$ 367,408 | \$ 100,521 | \$ 100,536 |
| Current liabilities | \$ 260,730 | \$ 432,053 | \$ 288,309 | \$ 646,277 | \$ 477,152 | \$ 426,706 | \$ 429,464 | \$ 392,169 |
| Quick ratio | <u>4.4412</u> | <u>2.6456</u> | <u>1.6990</u> | <u>1.0335</u> | <u>0.4920</u> | <u>0.8610</u> | <u>0.2341</u> | <u>0.2564</u> |
| Peer group average | 3.3999 | | | | | | | |
| Expectation | 1.5 or higher | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
WATER FUND FINANCIAL RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current assets | \$ 1,157,963 | \$ 1,143,054 | \$ 489,831 | \$ 667,946 | \$ 234,778 | \$ 367,408 | \$ 380,396 | \$ 1,007,943 |
| Current liabilities | \$ 260,730 | \$ 432,053 | \$ 288,309 | \$ 646,277 | \$ 477,152 | \$ 426,706 | \$ 429,464 | \$ 392,169 |
| Current ratio | <u>4.4412</u> | <u>2.6456</u> | <u>1.6990</u> | <u>1.0335</u> | <u>0.4920</u> | <u>0.8610</u> | <u>0.8857</u> | <u>2.5702</u> |
| Peer group average | 3.7730 | | | | | | | |
| Expectation | 2.0 or higher | | | | | | | |
| SOLVENCY | | | | | | | | |
| Unrestricted net position plus restricted for debt service | \$ 780,483 | \$ 652,552 | \$ 36,082 | \$ (112,353) | \$ (205,633) | \$ (50,957) | \$ (87,050) | \$ 809,543 |
| Total liabilities | <u>\$ 5,043,960</u> | <u>\$ 4,915,528</u> | <u>\$ 4,797,641</u> | <u>\$ 5,362,914</u> | <u>\$ 6,883,480</u> | <u>\$ 7,179,299</u> | <u>\$ 7,457,521</u> | <u>\$ 7,662,129</u> |
| Net position ratio | <u>0.1547</u> | <u>0.1328</u> | <u>0.0075</u> | <u>(0.0209)</u> | <u>(0.0299)</u> | <u>(0.0071)</u> | <u>(0.0117)</u> | <u>0.1057</u> |
| Peer group average | 4.4780 | | | | | | | |
| Expectation | 1.0000 | | | | | | | |
| LEVERAGE | | | | | | | | |
| Total long-term debt | \$ 4,783,230 | \$ 4,483,475 | \$ 4,509,332 | \$ 4,716,637 | \$ 6,406,328 | \$ 6,752,593 | \$ 7,028,057 | \$ 7,269,960 |
| Total assets | <u>\$ 10,957,481</u> | <u>\$ 9,785,673</u> | <u>\$ 8,661,658</u> | <u>\$ 8,567,574</u> | <u>\$ 8,056,491</u> | <u>\$ 8,606,591</u> | <u>\$ 9,042,958</u> | <u>\$ 9,611,359</u> |
| Debts to assets ratio | <u>0.4365</u> | <u>0.4582</u> | <u>0.5206</u> | <u>0.5505</u> | <u>0.7952</u> | <u>0.7846</u> | <u>0.7772</u> | <u>0.7564</u> |
| Peer group average | 0.1363 | | | | | | | |
| Expectation | zero to 0.4 | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SEWER FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and investments | \$ 934,642 | \$ 755,706 | \$ 556,938 | \$ 392,208 | \$ 233,983 | \$ 116,669 | \$ 11,207 | \$ - |
| Special assessments receivable deferred | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 |
| Accounts receivable | 85,695 | 84,745 | 85,615 | 69,790 | 59,247 | 41,928 | 39,876 | 41,789 |
| Due from other funds | - | - | - | - | - | - | 151,168 | 1,249,741 |
| Advance to other funds - current | - | 79,366 | 83,821 | 81,162 | 78,587 | 76,094 | 73,680 | - |
| Total current assets | <u>1,020,440</u> | <u>919,920</u> | <u>726,477</u> | <u>543,263</u> | <u>371,920</u> | <u>234,794</u> | <u>276,034</u> | <u>1,291,633</u> |
| Noncurrent assets | | | | | | | | |
| Restricted cash and investments | 326,552 | 313,661 | 305,788 | 185,718 | 246,562 | 234,380 | 234,380 | - |
| Advances to other funds | - | - | 79,366 | 163,186 | 244,348 | 322,935 | 399,029 | 544,170 |
| Investment in joint ventures | 82,852 | 248,368 | 82,391 | 62,493 | 62,493 | 75,564 | 34,456 | 75,840 |
| Capital assets-land | 111,477 | 111,477 | 111,477 | 111,477 | 111,477 | 111,477 | 111,477 | 111,477 |
| Capital assets-construction in progress | 101,259 | 3,778,472 | 3,762,407 | 2,193,630 | 722,104 | 286,908 | 285,211 | 1,821,695 |
| Capital assets-depreciable, net | <u>6,749,632</u> | <u>3,032,506</u> | <u>3,174,549</u> | <u>3,395,852</u> | <u>3,482,749</u> | <u>3,687,597</u> | <u>3,897,277</u> | <u>2,548,970</u> |
| Total noncurrent assets | <u>7,371,772</u> | <u>7,484,484</u> | <u>7,515,978</u> | <u>6,112,356</u> | <u>4,869,733</u> | <u>4,718,861</u> | <u>4,961,830</u> | <u>5,102,152</u> |
| Total assets | <u>8,392,212</u> | <u>8,404,404</u> | <u>8,242,455</u> | <u>6,655,619</u> | <u>5,241,653</u> | <u>4,953,655</u> | <u>5,237,864</u> | <u>6,393,785</u> |
| Deferred outflows of resources | <u>31,612</u> | <u>44,167</u> | <u>27,559</u> | <u>43,786</u> | <u>51,628</u> | <u>35,152</u> | <u>10,177</u> | <u>9,998</u> |
| Total assets and deferred outflows | <u>\$ 8,423,824</u> | <u>\$ 8,448,571</u> | <u>\$ 8,270,014</u> | <u>\$ 6,699,405</u> | <u>\$ 5,293,281</u> | <u>\$ 4,988,807</u> | <u>\$ 5,248,041</u> | <u>\$ 6,403,783</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SEWER FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable | \$ 70,378 | \$ 21,857 | \$ 15,517 | \$ 24,171 | \$ 39,014 | \$ 291,195 | \$ 291,173 | \$ 269,228 |
| Accrued payroll | 5,912 | 6,542 | 5,610 | 5,152 | 5,216 | 5,404 | 4,139 | 13,735 |
| Due to other funds | - | - | - | - | - | - | - | 550,047 |
| Due to other governments | - | - | - | - | - | - | 20,973 | 314,265 |
| Current portion of long-term capital liabilities | 493,526 | 489,462 | 155,040 | 147,398 | 419,905 | 91,279 | 78,000 | 76,000 |
| Current portion of compensated balances | <u>19,459</u> | <u>18,032</u> | <u>21,365</u> | <u>16,162</u> | <u>20,046</u> | <u>18,733</u> | <u>17,616</u> | <u>15,382</u> |
| Total current liabilities | <u>589,275</u> | <u>535,893</u> | <u>197,532</u> | <u>192,883</u> | <u>484,181</u> | <u>406,611</u> | <u>411,901</u> | <u>1,238,657</u> |
| Noncurrent liabilities | | | | | | | | |
| Noncurrent portion of long-term liabilities | 55,111 | 111,949 | 108,223 | 127,249 | 102,962 | 108,020 | 97,416 | 28,497 |
| Noncurrent portion of long-term capital liabilities | 5,086,020 | 5,030,715 | 5,549,801 | 4,159,394 | 2,636,840 | 2,415,221 | 2,506,500 | 2,584,500 |
| Noncurrent portion of compensated balances | 7,955 | 7,120 | 7,118 | 6,003 | 10,794 | 10,058 | 9,903 | 9,975 |
| Net pension liability | <u>122,733</u> | <u>182,543</u> | <u>154,491</u> | <u>170,742</u> | <u>212,703</u> | <u>208,052</u> | <u>133,275</u> | <u>125,165</u> |
| Total noncurrent liabilities | <u>5,271,819</u> | <u>5,332,327</u> | <u>5,819,633</u> | <u>4,463,388</u> | <u>2,963,299</u> | <u>2,741,351</u> | <u>2,747,094</u> | <u>2,748,137</u> |
| Total liabilities | <u>5,861,094</u> | <u>5,868,220</u> | <u>6,017,165</u> | <u>4,656,271</u> | <u>3,447,480</u> | <u>3,147,962</u> | <u>3,158,995</u> | <u>3,986,794</u> |
| DEFERRED INFLOW OF resources | | | | | | | | |
| Deferred inflow of resources | <u>125,883</u> | <u>35,678</u> | <u>76,022</u> | <u>43,703</u> | <u>23,892</u> | <u>10,756</u> | <u>16,089</u> | <u>32,346</u> |
| Total deferred inflows of resources | <u>\$ 125,883</u> | <u>\$ 35,678</u> | <u>\$ 76,022</u> | <u>\$ 43,703</u> | <u>\$ 23,892</u> | <u>\$ 10,756</u> | <u>\$ 16,089</u> | <u>\$ 32,346</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SEWER FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| NET POSITION | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 1,382,822 | \$ 1,402,278 | \$ 1,343,592 | \$ 1,394,167 | \$ 1,259,585 | \$ 1,579,482 | \$ 1,709,465 | \$ 1,821,642 |
| Restricted for capital projects | 326,552 | 313,661 | 305,788 | 185,718 | 246,562 | 234,350 | 234,350 | - |
| Unrestricted | <u>727,473</u> | <u>828,734</u> | <u>527,447</u> | <u>419,546</u> | <u>315,762</u> | <u>16,257</u> | <u>129,142</u> | <u>563,001</u> |
| Total net position | 2,436,847 | 2,544,673 | 2,176,827 | 1,999,431 | 1,821,909 | 1,830,089 | 2,072,957 | 2,384,643 |
| Total liabilities and net position | <u>\$ 8,423,824</u> | <u>\$ 8,448,571</u> | <u>\$ 8,270,014</u> | <u>\$ 6,699,405</u> | <u>\$ 5,293,281</u> | <u>\$ 4,988,807</u> | <u>\$ 5,248,041</u> | <u>\$ 6,403,783</u> |
| | | | | | | | | |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Revenues | \$ 990,034 | \$ 944,744 | \$ 963,388 | \$ 913,424 | \$ 722,110 | \$ 461,097 | \$ 470,802 | \$ 522,085 |
| Operation expense | <u>804,827</u> | <u>620,251</u> | <u>688,787</u> | <u>667,858</u> | <u>677,918</u> | <u>720,303</u> | <u>738,278</u> | <u>666,853</u> |
| Operating income | 185,207 | 324,493 | 274,601 | 245,566 | 44,192 | (259,206) | (267,476) | (144,768) |
| Nonoperating revenues (expenses) | (293,033) | 43,353 | (97,205) | (68,044) | (69,959) | 16,338 | (44,210) | 78,345 |
| Transfers in (out) | - | - | - | - | - | - | - | 60,000 |
| Special and extraordinary items | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(624)</u> |
| Change in net assets | (107,826) | 367,846 | 177,396 | 177,522 | (25,767) | (242,868) | (311,686) | (7,047) |
| Net position beginning of year | 2,544,673 | 2,176,827 | 1,999,431 | 1,821,909 | 1,830,089 | 2,072,957 | 2,384,643 | 2,528,218 |
| Restatements | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,587</u> | <u>-</u> | <u>-</u> | <u>(136,528)</u> |
| Net position end of year | <u>\$ 2,436,847</u> | <u>\$ 2,544,673</u> | <u>\$ 2,176,827</u> | <u>\$ 1,999,431</u> | <u>\$ 1,821,909</u> | <u>\$ 1,830,089</u> | <u>\$ 2,072,957</u> | <u>\$ 2,384,643</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SEWER FUND FINANCIAL RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|------------------|-----------------|-----------------|------------------|-------------------|-------------------|------------------|
| FINANCIAL PERFORMANCE | | | | | | | | |
| Total resources inflow | \$ 990,034 | \$ 944,744 | \$ 963,388 | \$ 913,424 | \$ 722,110 | \$ 461,097 | \$ 470,802 | \$ 522,085 |
| Total resources outflow | \$ 804,827 | \$ 620,251 | \$ 688,787 | \$ 667,858 | \$ 677,918 | \$ 720,303 | \$ 738,278 | \$ 666,853 |
| Interperiod equity margin ratio (operating) | <u>1.2301</u> | <u>1.5232</u> | <u>1.3987</u> | <u>1.3677</u> | <u>1.0652</u> | <u>0.6401</u> | <u>0.6377</u> | <u>0.7829</u> |
| Peer group average | <u>1.8756</u> | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| Change in net position | \$ (107,826) | \$ 367,846 | \$ 177,396 | \$ 177,522 | \$ (8,180) | \$ (242,868) | \$ (311,686) | \$ (143,575) |
| Net position beginning of the year | \$ 2,544,673 | \$ 2,176,827 | \$ 1,999,431 | \$ 1,821,909 | \$ 1,830,089 | \$ 2,072,957 | \$ 2,384,643 | \$ 2,528,218 |
| Percent change in net position net of restatements | <u>(4.2373)%</u> | <u>16.8983 %</u> | <u>8.8723 %</u> | <u>9.7437 %</u> | <u>(0.4470)%</u> | <u>(11.7160)%</u> | <u>(13.0706)%</u> | <u>(5.6789)%</u> |
| Peer group average | <u>14.8321 %</u> | | | | | | | |
| Expectation | Greater than zero | | | | | | | |
| SELF-SUFFICIENCY | | | | | | | | |
| Charges for services | \$ 990,034 | \$ 944,744 | \$ 963,388 | \$ 913,424 | \$ 722,110 | \$ 461,097 | \$ 470,802 | \$ 522,085 |
| Total expenses | \$ 804,827 | \$ 620,251 | \$ 688,787 | \$ 667,858 | \$ 677,918 | \$ 720,303 | \$ 738,278 | \$ 666,853 |
| Charge for services to expense ratio | <u>1.2301</u> | <u>1.5232</u> | <u>1.3987</u> | <u>1.3677</u> | <u>1.0652</u> | <u>0.6401</u> | <u>0.6377</u> | <u>0.7829</u> |
| Peer group average | <u>1.8756</u> | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| FINANCIAL OBLIGATION | | | | | | | | |
| Debt service | \$ 493,526 | \$ 489,462 | \$ 155,040 | \$ 147,398 | \$ 419,905 | \$ 91,279 | \$ 78,000 | \$ 76,000 |
| Total expenses plus debt service | \$ 1,298,353 | \$ 1,109,713 | \$ 843,827 | \$ 815,256 | \$ 1,097,823 | \$ 811,582 | \$ 816,278 | \$ 742,853 |
| Debt service ratio | <u>0.3801</u> | <u>0.4411</u> | <u>0.1837</u> | <u>0.1808</u> | <u>0.3825</u> | <u>0.1125</u> | <u>0.0956</u> | <u>0.1023</u> |
| Peer group average | <u>0.1936</u> | | | | | | | |
| Expectation | 0.5 or lower | | | | | | | |
| LIQUIDITY | | | | | | | | |
| Cash & investments & accounts receivable | \$ 1,020,337 | \$ 840,451 | \$ 642,553 | \$ 461,998 | \$ 293,230 | \$ 158,597 | \$ 51,083 | \$ 41,789 |
| Current liabilities | \$ 589,275 | \$ 535,893 | \$ 197,532 | \$ 192,883 | \$ 484,181 | \$ 406,611 | \$ 411,901 | \$ 1,238,657 |
| Quick ratio | <u>1.7315</u> | <u>1.5683</u> | <u>3.2529</u> | <u>2.3952</u> | <u>0.6056</u> | <u>0.3900</u> | <u>0.1240</u> | <u>0.0337</u> |
| Peer group average | <u>7.7973</u> | | | | | | | |
| Expectation | 1.5 or higher | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SEWER FUND FINANCIAL RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Current Assets | \$ 1,020,440 | \$ 919,920 | \$ 726,477 | \$ 543,263 | \$ 371,920 | \$ 234,794 | \$ 276,034 | \$ 1,291,633 |
| Current liabilities | \$ 589,275 | \$ 535,893 | \$ 197,532 | \$ 192,883 | \$ 484,181 | \$ 406,611 | \$ 411,901 | \$ 1,238,657 |
| Current ratio | <u>1.7317</u> | <u>1.7166</u> | <u>3.6778</u> | <u>2.8165</u> | <u>0.7681</u> | <u>0.5774</u> | <u>0.6701</u> | <u>1.0428</u> |
| Peer group average | <u>7.7970</u> | | | | | | | |
| Expectation | 2.0 or higher | | | | | | | |
| SOLVENCY | | | | | | | | |
| Unrestricted net position plus restricted for debt service | \$ 727,473 | \$ 828,734 | \$ 527,447 | \$ 419,546 | \$ 315,762 | \$ 16,257 | \$ 129,142 | \$ 563,001 |
| Total liabilities | \$ 5,861,094 | \$ 5,868,220 | \$ 6,017,165 | \$ 4,656,271 | \$ 3,447,480 | \$ 3,147,962 | \$ 3,158,995 | \$ 3,986,794 |
| Net position ratio | <u>0.1241</u> | <u>0.1412</u> | <u>0.0877</u> | <u>0.0901</u> | <u>0.0916</u> | <u>0.0052</u> | <u>0.0409</u> | <u>0.1412</u> |
| Peer group average | <u>0.2465</u> | | | | | | | |
| Expectation | 1.0000 | | | | | | | |
| LEVERAGE | | | | | | | | |
| Total long-term debt | \$ 5,271,819 | \$ 5,332,327 | \$ 5,819,633 | \$ 4,463,388 | \$ 2,963,299 | \$ 2,741,351 | \$ 2,747,094 | \$ 2,748,137 |
| Total assets | \$ 8,392,212 | \$ 8,404,404 | \$ 8,242,455 | \$ 6,655,619 | \$ 5,241,653 | \$ 4,953,655 | \$ 5,237,864 | \$ 6,393,785 |
| Debts to assets ratio | <u>0.6282</u> | <u>0.6345</u> | <u>0.7061</u> | <u>0.6706</u> | <u>0.5653</u> | <u>0.5534</u> | <u>0.5245</u> | <u>0.4298</u> |
| Peer group average | <u>0.4450</u> | | | | | | | |
| Expectation | Zero to 0.4 | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SOLID WASTE FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and investments | \$ 730,997 | \$ 354,918 | \$ 175,080 | \$ 105,810 | \$ - | \$ - | \$ 75 | \$ 19,043 |
| Accounts receivable | <u>72,908</u> | <u>78,703</u> | <u>61,329</u> | <u>62,269</u> | <u>59,355</u> | <u>62,564</u> | <u>58,797</u> | <u>59,260</u> |
| Total current assets | <u>803,905</u> | <u>433,621</u> | <u>236,409</u> | <u>168,079</u> | <u>59,355</u> | <u>62,564</u> | <u>58,872</u> | <u>78,303</u> |
| Noncurrent assets | | | | | | | | |
| Restricted cash and investments | 526,822 | 481,307 | 463,377 | 432,488 | 404,010 | 386,576 | 370,703 | 330,455 |
| Capital assets-land | 210,104 | 210,104 | 210,104 | 210,104 | 210,104 | 210,104 | 210,104 | 210,104 |
| Capital assets-depreciable, net | <u>314,518</u> | <u>412,966</u> | <u>503,210</u> | <u>607,697</u> | <u>335,459</u> | <u>389,936</u> | <u>447,648</u> | <u>455,004</u> |
| Total noncurrent assets | <u>1,051,444</u> | <u>1,104,377</u> | <u>1,176,691</u> | <u>1,250,289</u> | <u>949,573</u> | <u>986,616</u> | <u>1,028,455</u> | <u>995,563</u> |
| Total assets | 1,855,349 | 1,537,998 | 1,413,100 | 1,418,368 | 1,008,928 | 1,049,180 | 1,087,327 | 1,073,866 |
| Deferred outflows of resources | <u>49,957</u> | <u>68,667</u> | <u>43,231</u> | <u>67,018</u> | <u>79,333</u> | <u>55,164</u> | <u>18,618</u> | <u>18,335</u> |
| Total assets and deferred outflows | <u>\$ 1,905,306</u> | <u>\$ 1,606,665</u> | <u>\$ 1,456,331</u> | <u>\$ 1,485,386</u> | <u>\$ 1,088,261</u> | <u>\$ 1,104,344</u> | <u>\$ 1,105,945</u> | <u>\$ 1,092,201</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SOLID WASTE FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable | \$ 34,109 | \$ 21,384 | \$ 22,839 | \$ 39,242 | \$ 32,319 | \$ 32,475 | \$ 26,777 | \$ - |
| Accrued payroll | 9,650 | 9,595 | 8,535 | 7,760 | 8,157 | 8,264 | 5,729 | 20,293 |
| Due to other funds | - | - | - | - | 6,647 | 60,525 | 167,475 | 132,923 |
| Advances payable - current | <u>33,923</u> | <u>32,856</u> | <u>31,821</u> | <u>30,820</u> | <u>29,850</u> | <u>28,910</u> | <u>28,000</u> | <u>-</u> |
| Current portion of long-term capital liabilities | 62,370 | 38,000 | 36,434 | 78,002 | 41,398 | 39,790 | 45,628 | 51,696 |
| Current portion of compensated balances | <u>33,238</u> | <u>28,717</u> | <u>33,517</u> | <u>24,026</u> | <u>29,315</u> | <u>23,777</u> | <u>23,901</u> | <u>20,455</u> |
| Total current liabilities | <u>173,290</u> | <u>130,552</u> | <u>133,146</u> | <u>179,850</u> | <u>147,686</u> | <u>193,741</u> | <u>297,510</u> | <u>225,367</u> |
| Noncurrent liabilities | | | | | | | | |
| Advances payable | - | 33,923 | 66,779 | 98,599 | 129,419 | 159,269 | 188,178 | 265,938 |
| Landfill closure/postclosure liability | 603,138 | 584,708 | 568,239 | 551,933 | 535,933 | 630,933 | 622,947 | 605,948 |
| Noncurrent portion of long-term liabilities | 55,111 | 111,949 | 108,223 | 127,249 | 102,962 | 108,020 | 97,416 | 90,147 |
| Noncurrent portion of long-term capital liabilities | 335,061 | 191,654 | 229,664 | 266,098 | 43,071 | 84,469 | 124,259 | 170,504 |
| Noncurrent portion of compensated balances | 11,211 | 9,904 | 9,949 | 8,358 | 13,586 | 13,542 | 13,177 | 12,247 |
| Net pension liability | <u>193,960</u> | <u>289,860</u> | <u>248,190</u> | <u>275,075</u> | <u>333,139</u> | <u>326,492</u> | <u>242,364</u> | <u>229,526</u> |
| Total noncurrent liabilities | <u>1,198,481</u> | <u>1,221,998</u> | <u>1,231,044</u> | <u>1,327,312</u> | <u>1,158,110</u> | <u>1,322,725</u> | <u>1,288,341</u> | <u>1,374,310</u> |
| Total liabilities | <u>1,371,771</u> | <u>1,352,550</u> | <u>1,364,190</u> | <u>1,507,162</u> | <u>1,305,796</u> | <u>1,516,466</u> | <u>1,585,851</u> | <u>1,599,677</u> |
| DEFERRED INFLOW OF resources | | | | | | | | |
| Deferred inflow of resources | <u>159,206</u> | <u>50,836</u> | <u>100,867</u> | <u>70,409</u> | <u>36,090</u> | <u>16,878</u> | <u>33,580</u> | <u>59,315</u> |
| Total deferred inflows of resources | <u>\$ 159,206</u> | <u>\$ 50,836</u> | <u>\$ 100,867</u> | <u>\$ 70,409</u> | <u>\$ 36,090</u> | <u>\$ 16,878</u> | <u>\$ 33,580</u> | <u>\$ 59,315</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SOLID WASTE FUND FINANCIAL INFORMATION
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| NET POSITION | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 127,191 | \$ 393,416 | \$ 447,216 | \$ 473,701 | \$ 461,094 | \$ 475,781 | \$ 487,865 | \$ 442,908 |
| Restricted for other purpose | 41,270 | - | - | - | - | - | 370,703 | 330,455 |
| Unrestricted | <u>205,868</u> | <u>(190,137)</u> | <u>(455,942)</u> | <u>(565,886)</u> | <u>(714,719)</u> | <u>(904,781)</u> | <u>(1,372,054)</u> | <u>(1,340,154)</u> |
| Total net assets | <u>374,329</u> | <u>203,279</u> | <u>(8,726)</u> | <u>(92,185)</u> | <u>(253,625)</u> | <u>(429,000)</u> | <u>(513,486)</u> | <u>(566,791)</u> |
| Total liabilities and fund balance | <u>\$ 1,905,306</u> | <u>\$ 1,606,665</u> | <u>\$ 1,456,331</u> | <u>\$ 1,485,386</u> | <u>\$ 1,088,261</u> | <u>\$ 1,104,344</u> | <u>\$ 1,105,945</u> | <u>\$ 1,092,201</u> |
| Revenues | \$ 998,749 | \$ 978,021 | \$ 810,043 | \$ 828,469 | \$ 825,322 | \$ 857,207 | \$ 805,921 | \$ 859,389 |
| Operating expenses | <u>845,512</u> | <u>802,741</u> | <u>819,388</u> | <u>829,525</u> | <u>784,225</u> | <u>781,096</u> | <u>764,668</u> | <u>766,359</u> |
| Operation income | 153,237 | 175,280 | (9,345) | (1,056) | 41,097 | 76,111 | 41,253 | 93,030 |
| Nonoperating revenues (expenses) | 7,215 | 18,284 | 18,175 | 26,511 | 12,691 | 8,375 | 12,052 | 11,485 |
| Transfers in (out) | 10,598 | 18,441 | 74,629 | 62,885 | - | - | - | - |
| Special and extraordinary items | <u>-</u> | <u>-</u> | <u>-</u> | <u>73,100</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(623)</u> |
| Change in net position | 171,050 | 212,005 | 83,459 | 161,440 | 53,788 | 84,486 | 53,305 | 103,892 |
| Net position beginning of year | 203,279 | (8,726) | (92,185) | (253,625) | (429,000) | (513,486) | (566,791) | (396,188) |
| Restatements | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>121,587</u> | <u>-</u> | <u>-</u> | <u>(274,495)</u> |
| Net position end of year | <u>\$ 374,329</u> | <u>\$ 203,279</u> | <u>\$ (8,726)</u> | <u>\$ (92,185)</u> | <u>\$ (253,625)</u> | <u>\$ (429,000)</u> | <u>\$ (513,486)</u> | <u>\$ (566,791)</u> |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SOLID WASTE FUND FINANCIAL RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|---------------------|------------------|------------------|------------------|------------------|-----------------|-------------------|
| FINANCIAL PERFORMANCE | | | | | | | | |
| Total resources inflow | \$ 998,749 | \$ 978,021 | \$ 810,043 | \$ 828,469 | \$ 825,322 | \$ 857,207 | \$ 805,921 | \$ 859,389 |
| Total resources outflow | \$ 845,512 | \$ 802,741 | \$ 819,388 | \$ 829,525 | \$ 784,225 | \$ 781,096 | \$ 764,668 | \$ 766,359 |
| Interperiod equity margin ratio (operating) | <u>1.1812</u> | <u>1.2184</u> | <u>0.9886</u> | <u>0.9987</u> | <u>1.0524</u> | <u>1.0974</u> | <u>1.0539</u> | <u>1.1214</u> |
| Peer group average | <u>0.9622</u> | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| Change in net position | \$ 171,050 | \$ 212,005 | \$ 83,459 | \$ 161,440 | \$ 175,375 | \$ 84,486 | \$ 53,305 | \$ (170,603) |
| Net position beginning of the year | \$ 203,279 | \$ (8,726) | \$ (92,185) | \$ (253,625) | \$ (429,000) | \$ (513,486) | \$ (566,791) | \$ (396,188) |
| Percent change in net position net of restatements | <u>(84.1454)%</u> | <u>2,429.5783 %</u> | <u>90.5343 %</u> | <u>63.6530 %</u> | <u>40.8800 %</u> | <u>16.4534 %</u> | <u>9.4047 %</u> | <u>(43.0611)%</u> |
| Peer group average | <u>(5.2484)%</u> | | | | | | | |
| Expectation | Greater than zero | | | | | | | |
| SELF-SUFFICIENCY | | | | | | | | |
| Charges for services | \$ 998,749 | \$ 978,021 | \$ 810,043 | \$ 828,469 | \$ 825,322 | \$ 857,207 | \$ 805,921 | \$ 859,389 |
| Total expenses | \$ 845,512 | \$ 802,741 | \$ 819,388 | \$ 829,525 | \$ 784,225 | \$ 781,096 | \$ 764,668 | \$ 766,359 |
| Charge for services to expense ratio | <u>1.1812</u> | <u>1.2184</u> | <u>0.9886</u> | <u>0.9987</u> | <u>1.0524</u> | <u>1.0974</u> | <u>1.0539</u> | <u>1.1214</u> |
| Peer group average | <u>0.9622</u> | | | | | | | |
| Expectation | 1.0 or higher | | | | | | | |
| FINANCIAL OBLIGATION | | | | | | | | |
| Debt service | \$ 62,370 | \$ 38,000 | \$ 36,434 | \$ 78,002 | \$ 41,398 | \$ 39,790 | \$ 45,628 | \$ 51,696 |
| Total expenses plus debt service | \$ 907,882 | \$ 840,741 | \$ 855,822 | \$ 907,527 | \$ 825,623 | \$ 820,886 | \$ 810,296 | \$ 818,055 |
| Debt service ratio | <u>0.0687</u> | <u>0.0452</u> | <u>0.0426</u> | <u>0.0860</u> | <u>0.0501</u> | <u>0.0485</u> | <u>0.0563</u> | <u>0.0632</u> |
| Peer group average | <u>0.0208</u> | | | | | | | |
| Expectation | 0.5 or lower | | | | | | | |
| LIQUIDITY | | | | | | | | |
| Cash & investments & accounts receivable | \$ 803,905 | \$ 433,621 | \$ 236,409 | \$ 168,079 | \$ 59,355 | \$ 62,564 | \$ 58,872 | \$ 78,303 |
| Current liabilities | \$ 173,290 | \$ 130,552 | \$ 133,146 | \$ 179,850 | \$ 147,686 | \$ 193,741 | \$ 297,510 | \$ 225,367 |
| Quick ratio | <u>4.6391</u> | <u>3.3214</u> | <u>1.7756</u> | <u>0.9346</u> | <u>0.4019</u> | <u>0.3229</u> | <u>0.1979</u> | <u>0.3474</u> |
| Peer group average | <u>85.3215</u> | | | | | | | |
| Expectation | 1.5 or higher | | | | | | | |

Source: City of Shelby, Montana

CITY OF SHELBY, MONTANA
SOLID WASTE FUND FINANCIAL RATIO ANALYSIS
For the Last Eight Fiscal Years
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current assets | \$ 803,905 | \$ 433,621 | \$ 236,409 | \$ 168,079 | \$ 59,355 | \$ 62,564 | \$ 58,872 | \$ 78,303 |
| Current liabilities | \$ 173,290 | \$ 130,552 | \$ 133,146 | \$ 179,850 | \$ 147,686 | \$ 193,741 | \$ 297,510 | \$ 225,367 |
| Current ratio | <u>4.6391</u> | <u>3.3214</u> | <u>1.7756</u> | <u>0.9346</u> | <u>0.4019</u> | <u>0.3229</u> | <u>0.1979</u> | <u>0.3474</u> |
| Peer group average | <u>79.2836</u> | | | | | | | |
| Expectation | 2.0 or higher | | | | | | | |
| SOLVENCY | | | | | | | | |
| Unrestricted net position plus restricted for debt service | \$ 247,138 | \$ (190,137) | \$ (455,942) | \$ (565,886) | \$ (714,719) | \$ (904,781) | \$ (1,001,351) | \$ (1,009,699) |
| Total liabilities | <u>\$ 1,371,771</u> | <u>\$ 1,352,550</u> | <u>\$ 1,364,190</u> | <u>\$ 1,507,162</u> | <u>\$ 1,305,796</u> | <u>\$ 1,516,466</u> | <u>\$ 1,585,851</u> | <u>\$ 1,599,677</u> |
| Net position ratio | <u>0.1802</u> | <u>(0.1406)</u> | <u>(0.3342)</u> | <u>(0.3755)</u> | <u>(0.5473)</u> | <u>(0.5966)</u> | <u>(0.6314)</u> | <u>(0.6312)</u> |
| Peer group average | <u>1.1304</u> | | | | | | | |
| Expectation | 1.0000 | | | | | | | |
| LEVERAGE | | | | | | | | |
| Total long-term debt | \$ 1,371,771 | \$ 1,352,550 | \$ 1,364,190 | \$ 1,507,162 | \$ 1,305,796 | \$ 1,516,466 | \$ 1,585,851 | \$ 1,599,677 |
| Total assets | <u>\$ 1,855,349</u> | <u>\$ 1,537,998</u> | <u>\$ 1,413,100</u> | <u>\$ 1,418,368</u> | <u>\$ 1,008,928</u> | <u>\$ 1,049,180</u> | <u>\$ 1,087,327</u> | <u>\$ 1,073,866</u> |
| Debts to assets ratio | <u>0.7394</u> | <u>0.8794</u> | <u>0.9654</u> | <u>1.0626</u> | <u>1.2942</u> | <u>1.4454</u> | <u>1.4585</u> | <u>1.4896</u> |
| Peer group average | <u>0.3714</u> | | | | | | | |
| Expectation | Zero to 0.4 | | | | | | | |

Source: City of Shelby, Montana